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SPOT COTTON QUOTATIONS:

**their relation to spot values
and to average differentials**

PREFACE

Representatives of major segments of the cotton industry met with officials of the Department of Agriculture in Dallas, Tex., in January 1959, and discussed the initiation of a study to determine the adequacy and accuracy of the official spot quotations. The study agreed upon included two phases. One phase was to provide current information on the framework of the quotations system--the markets, the resident firms, and the organization and activities of the quotations committees. The results of that phase were reported by the Department in Official Spot Cotton Quotations, Where and How Quoted, Marketing Research Report No. 547, June 1962.

The present report describes results of the second phase of the overall study. This phase was to provide statistical measurements of the relationships between the quotations and spot values of cotton in the designated spot markets in terms of some of the major uses of the quotations.

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SUMMARY

Spot cotton quotations are issued in each of 15 designated markets. These markets are Greenville, Charleston, Augusta, Atlanta, and Montgomery in the Southeast; New Orleans, Little Rock, Memphis, and Greenwood in the South Central Region; Dallas, Houston, Galveston, and Lubbock in the Southwest; and Fresno and Phoenix in the West. The quotations are used extensively by individuals and groups in the merchandising of cotton, and by U.S. Government agencies in administering price support and sales programs for cotton.

The purpose of the study was to determine the relationships between (1) spot quotations and spot values of cotton in each designated market during the seasons of 1959-60 and 1960-61, and (2) differentials quoted and differentials paid in terms of averages for groups of markets and for extended periods of time.

Price data used in the study were obtained mainly from sales of cotton by the Commodity Credit Corporation of the U.S. Government during the seasons of 1959-60 and 1960-61. These data represented two types of sales. One type was sales made through the direct purchase-resale program (designated CN-A) where local merchants served as agents for the Commodity Credit Corporation. Sales through the CN-A program constituted the largest volume of price data and were available for all markets. Another type was sales for unrestricted use made by the CCC from its inventory. These sales (designated NOC) were handled out of the New Orleans office and consisted of current-crop cotton purchased but not resold locally by the CCC, and old-crop cotton accumulated by the CCC from crop years preceding the current season. In addition to data on CCC sales, in which all bales of cotton in each lot were of the same grade and staple length, price information was obtained in the markets of Dallas, Lubbock, and Fresno on mixed-lot purchases during the 1959-60 season.

Relationships between the quotations and the prices paid for cotton sold through the CN-A program varied markedly among markets within a month, between months within a market, and among qualities and groups of qualities in the same market within a month. Quotations issued by many of the designated markets frequently differed by large amounts from prices paid for many qualities of cotton sold through the CN-A program. Generally, the quotations for cotton of grades Middling and better tended to be lower than the prices paid. For grades lower than Middling, the quotations in many of the markets averaged lower than prices paid during part of the season, and higher than prices paid during the rest of the season.

Prices paid for cotton sold through the NOC programs ranged from about the same to substantially higher than CN-A prices. The volume of cotton sold by the CCC through the CN-A program was generally low in the months when the quotations averaged higher than the prices paid for this cotton. During these months, it appeared that the quotations in many of the markets were influenced by the higher level of NOC prices. In some markets, the quotations averaged about midway between CN-A and NOC prices; in other markets, where CN-A sales were extremely light, the quotations tended to reflect the NOC prices.

Quotations in Dallas, Lubbock, and Fresno averaged lower than prices paid for mixed-lot purchases in these markets in 1959-60. However, in Dallas and

Lubbock the differences between the quotations and mixed-lot prices were smaller than the differences between the quotations and CN-A prices. In these two markets part of the discrepancy between the quotations and the prices paid for cotton sold through the Government programs may have been due to the fact that these sales involved only a single grade and staple length. In Fresno, the difference between the quotations and the prices paid for each type of transaction averaged about the same, possibly reflecting the more limited range of qualities produced in this area and consequently minimizing the contrast between mixed and even-running lots.

During the 1959-60 season and to a lesser extent during the 1960-61 season, the quotations in most of the designated markets tended to lag price changes on the upward and downward movements.

The official quotations are frequently used in the form of average differentials for a number of markets and for a specified period of time. As a basis for evaluating the quotations for these uses, data are presented to show the relationships between the quoted and paid differentials from Middling 1-inch cotton in terms of averages for (1) all markets and all time periods combined for the seasons of 1959-60 and 1960-61, (2) all markets combined for 10-day periods within each season, and (3) selected markets combined for two futures delivery months of each season.

The relationships between the quoted and paid differentials for all markets and all time periods combined indicated that the differentials quoted tended to be slightly narrower than those paid in 1959-60. Approximately one-fourth of the qualities were quoted within ± 10 points of the differentials paid; about one-half within ± 25 points; and nearly 90 percent within ± 50 points. In 1960-61, the premiums quoted were slightly narrower than those paid, but discounts quoted tended to be wider than those paid. About one-third of the qualities were quoted within ± 10 points of the differentials paid and more than one-half were quoted within ± 25 points of those paid. In both seasons, the greatest differences between quoted and paid differentials were for the lowest grades and shortest staple lengths. These qualities represented small volumes of trading and prices varied widely.

Comparison of the quoted and paid differentials for all markets combined for 10-day periods within each season showed that the average premiums quoted for grades Middling and better were about the same or slightly narrower than the premiums paid throughout the year. This indicates that a major part of the variation of the quotations from the prices paid for these grades was due to "base" differences. Similarly, base differences were a factor in the relationships between discounts quoted and those paid for grades lower than Middling. However, for the lower grades the relationships between the quoted and paid discounts more nearly resembled the quotation-spot-price relationships with discounts quoted averaging wider than discounts paid during part of the season and narrower than discounts paid during the rest of the season.

Monthly average differentials quoted and differentials paid were compared in the markets specified for use in determining tenderable differences for cotton futures. Differentials quoted were found to vary considerably from those paid for some qualities, but the relationships showed no consistent pattern of variation. Differentials quoted were narrower than those paid for some qualities and wider than those paid for others.

SPOT COTTON QUOTATIONS
Their Relation to Spot Values and to Average Differentials

by

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INTRODUCTION

The orderly marketing of cotton is facilitated by a market news system that adequately and accurately reflects current market activity at all locations where the commodity is traded. Spot market quotations are an essential part of this system. Issued daily by bona fide spot markets, these quotations have long played an important role in the cotton marketing process. The spot quotations are used extensively by the cotton trade as guides to the values of cotton. Two of the more important uses are (1) determination of tenderable differences for delivery of cotton in settlement of futures contracts; and (2) determination of trading values by producers, merchants, spinners, and others in their selling and buying operations, by bankers and others in their cotton financing operations, and by insurance companies and transportation companies in establishing rates and settling damage claims. In addition to private users, the U.S. Government relies heavily on the spot quotations in the administration of its price support and sales programs.

Authority for the spot quotations dates back to the passage of the Cotton Futures Act in 1914 and its reenactment in 1916. The present authority is encompassed in the cotton futures provisions of the Internal Revenue Code of 1954. This legislation directed the Secretary of Agriculture to designate, after investigation to determine their fitness, a number of cotton marketing centers as bona fide spot markets for the purpose of providing information on spot prices of cotton.

Because of the irregular variation in prices and changes in prices from one marketing area to another, a number of marketing centers are required to provide adequate information on prices paid throughout the Cotton Belt. There are now 15 designated markets. These markets are Greenville, Charleston, Augusta, Atlanta, and Montgomery in the Southeast; New Orleans, Little Rock, Memphis, and Greenwood in the South Central Region; Dallas, Houston, Galveston, and Lubbock in the Southwest; and Fresno and Phoenix in the West.

For quotation purposes the designated markets are regulated and supervised by the Department of Agriculture. Each market is directed to maintain a quotations committee composed of active traders in the market. These committees are responsible for ascertaining and publishing on each business day the price of Middling 1-inch cotton, and the differences between its price and the prices of other grades and staple lengths.

To carry out its responsibility, the committee is required to obtain complete and satisfactory information, not later than the close of business each day, on all sales of spot cotton since the close of the preceding business day, including the grades, the prices or price basis, and other terms of sale. The price quotation for Middling 1-inch cotton and the differences quoted for other qualities are to represent the actual commercial prices and differences established by the sale of cotton in the bona fide spot market. The committee is specifically authorized to disregard any transaction which it finds was not bona fide, or that was made for the purpose of influencing its action improperly, or that for other good reasons did not reflect truly the commercial values of spot cotton in the market.

It was anticipated, when the U.S. Cotton Futures Act and the regulations of the Secretary of Agriculture thereunder were formulated, that there would be some days in some bona fide spot markets on which no sales of cotton of some grades and staple lengths would be made. The commercial differences to be applied to such qualities would have to be derived from the sales of other qualities or from other market information. Regulations of the Secretary of Agriculture give general procedures for arriving at quotations of spot cotton prices in the designated markets when the volume of sales of a specified grade or staple length is not adequate as a basis for the quotation. These regulations, in part, are as follows:

Sec. 27.100 Values of grades.

(a) If on such given day there shall have been in such market both a sale of any higher grade and a sale of any lower grade, the average of the declines, or advances, or decline and advance, as the case may be, of the next higher grade and the next lower grade so sold shall be deducted from, or added to, as the case may be, the value, on the last preceding business day, of the grade the value of which on such given day is sought to be ascertained.

(b) If on such given day there shall have been in such market a sale of either a higher or a lower grade, but not sales of both, the decline or advance of the next higher or the next lower grade so sold shall be deducted from, or added to, as the case may be, the value on the last preceding business day, of the grade the value of which on such given day is sought to be ascertained.

(c) If on such given day there shall have been in such market no sale of spot cotton of any grade, the value of each grade shall be deemed to be the same as its value therein on the last preceding business day, unless in the meantime there shall have been bona fide bids and offers, or sales of hedged cotton, or other sales of cotton, or changes in prices of futures contracts made subject to the act, which in the usual course of business would clearly establish a rise or fall in the value of spot cotton in such market, in which case such rise or fall may be calculated and added to or deducted from the value on the preceding business day of cotton of all grades affected thereby.

The Cotton Division of the Agricultural Marketing Service maintains an understanding with the designated markets concerning, among other things, the qualities that will be quoted by each market. Every designated market agrees to quote the actual price of Middling 1-inch cotton in its area and the differentials from Middling 1-inch for all grades and most staple lengths in the official cotton standards. All markets presently issue quotations for staple lengths 7/8 through 1-3/32 inches. In addition to these staple lengths, Greenwood and Fresno quote 1-1/8 and 1-5/32; Dallas, Houston, Galveston, and Lubbock quote 13/16; and Memphis quotes 1-1/8 through 1-1/4.

Quotations for all qualities are to relate to cotton of normal character, but for tenderable grades they are to relate to cotton having a micronaire reading of 3.5 or better. In general, each committee is to give primary consideration to values for cotton produced in or near its own market. The committee considers cotton from other areas which is of qualities not in preponderance in the production of its own territory.

The understanding between the Agricultural Marketing Service and the designated spot markets specifies that "quotations will reflect the value of spot cotton in the market for both tenderable and untenderable qualities delivered in warehouses uncompressed, in terms of the first landed cost price to the buyer in such market for Basis Middling lists, and not in even-running qualities. Where other types of transactions such as sales of even-running lots, factors' sales, etc., are considered in arriving at quotations, appropriate adjustments will be made so that quotations as issued will reflect the value of spot cotton delivered uncompressed in warehouses in the market." 1/

Purpose of the Study

This study was undertaken for two reasons. First, all phases of the cotton marketing system are continuously changing, but nearly 10 years have elapsed since a study was made of the accuracy of the official spot quotations. Second, in recent years, public interest in the spot quotations system has continued to mount because of the increasing dependence upon the quotations as a basis for the Government price support and sales program for cotton.

The specific objectives of the study were (1) to determine the relationships between the official spot quotations and spot values for cotton in each designated market during the seasons of 1959-60 and 1960-61, and (2) to determine the relationships between the differentials quoted and the differentials paid in terms of averages for groups of markets and for extended periods of time.

Source of Price Data

Price data for the seasons of 1959-60 and 1960-61 were obtained mainly from sales of cotton by the Commodity Credit Corporation of the U.S. Government.

1/ For complete resume' of applicable legislation, regulations and understanding on spot price quotations, see: Soxman, R. C., and Holder, Shelby H., Jr. Official Spot Cotton Quotations, Where and How Quoted. U.S. Dept. Agr. Mktg. Res. Rpt. 547, June 1962, pp. 59-64.

These sales were of two distinct types. First were sales made through the direct purchase-resale program (hereafter referred to as CN-A). During each of the two seasons, nearly one-half the cotton crop was sold through the CN-A program with local merchants serving as agents for the Commodity Credit Corporation. Records of these sales were accumulated at the CCC office in New Orleans, where a number of clerks tabulated as many of the transactions as possible on the day of arrival of the documents. Any transactions not tabulated at the close of the day were set aside, and tabulation of a new day's receipts began the following morning.

A large volume of data was secured on sales throughout the Cotton Belt and should reflect prices paid in these areas for the qualities of cotton sold through the CN-A program. Records were tabulated on approximately 100,000 transactions totaling nearly 1,500,000 bales of cotton during the 1959-60 season. This was about one-fourth the total volume of cotton sold by local agents of the Commodity Credit Corporation during that year. In 1960-61, data were secured on approximately 150,000 transactions representing nearly 2,000,000 bales, or about 29 percent of the total cotton sold through the CN-A program.

The second type of transaction on which price data were obtained was sales for unrestricted use made by CCC from its inventory during the two seasons. These transactions were designated as NOC sales. During each season more than 4,000,000 bales of cotton were sold through the NOC programs. Transactions which included cotton accumulated by CCC from crop years preceding the current season were designated NOC-12 for the 1959-60 season and NOC-14 for the 1960-61 season. Approximately 86 percent of the total volume of cotton sold through the NOC programs was old-crop cotton. Sales which consisted entirely of current-crop cotton not sold through the CN-A program were designated NOC-13 and NOC-15 for the two seasons.

Records were obtained on all NOC sales during the 1959-60 and 1960-61 seasons; however, the NOC sales data used in the study were limited to the period of time when CN-A sales data were available and to the same qualities of cotton as those sold through the CN-A program. NOC sales data used in the study totaled over 1 million bales in 1959-60 and over 1-1/2 million bales in 1960-61.

In addition to price data on CN-A and NOC sales, a limited amount of information was also obtained from cotton merchandising firms in the markets of Dallas, Lubbock, and Fresno on their purchases during the 1959-60 season. These data included over 1,100 transactions totaling about 66,000 bales of cotton.

Nature of the Price Data

CN-A data used in this study cover the periods September through February of the 1959-60 season and August through February of the 1960-61 season. During these periods sales occurred daily. The transactions took place locally throughout the Cotton Belt and were mainly of cotton produced in the immediate territory. All bales of cotton in each lot were of the same quality; however, the lots varied in size from single bales to over 100 bales, averaging 14 bales, in 1959-60 and 13 bales in 1960-61.

Cotton sold through the NOC programs was offered at 2-week intervals for each type during the 1959-60 season, with NOC-12 sales occurring one week and NOC-13 sales occurring the following week. During the 1960-61 season, NOC-14 was again offered at 2-week intervals, but NOC-15 was sold weekly. The cotton was stored in warehouses scattered throughout the Cotton Belt but the two types tended to be concentrated in different areas. More than half of the cotton sold through the NOC-12 and NOC-14 programs was stored in the Southwest at the time of sale, about 14 percent of it in the West, and less than 4 percent in the Southeast. Nearly four-fifths of the total volume sold through the NOC-13 and NOC-15 programs was located in the Southeast.

The price data secured from cotton merchandising firms in Dallas, Lubbock, and Fresno were of the type specified by legislation to be used as a basis for quotations. These data represented purchases of mixed-quality lots of cotton stored in the immediate territory of these markets. The data were limited to the 3 markets where mixed-lot purchases were heaviest, and to the first 10 days of each month during the 1959-60 season.

Of the price data available for this study, CN-A prices were the most suited for a complete analysis of the accuracy of the official quotations. Because these transactions occurred locally throughout the Belt, information was readily available in each market for use by the quotations committee. Also, all bales in each lot were of the same quality, although the lots varied in size and therefore were not even-running in the sense that the term is applied to the quotations. NOC transactions, on the other hand, were offered by CCC from the New Orleans office and the cotton was frequently stored in warehouses far from the market where the buyer was located. The major volume of these sales was accounted for by the NOC-12 and NOC-14 programs. This cotton was from seasons different from the current season and much of it had been reconcentrated. Therefore, not only was the size of lots much larger than those for CN-A transactions, but also the area of growth could not be used as a dependable factor in pricing for quality elements other than grade and staple length.

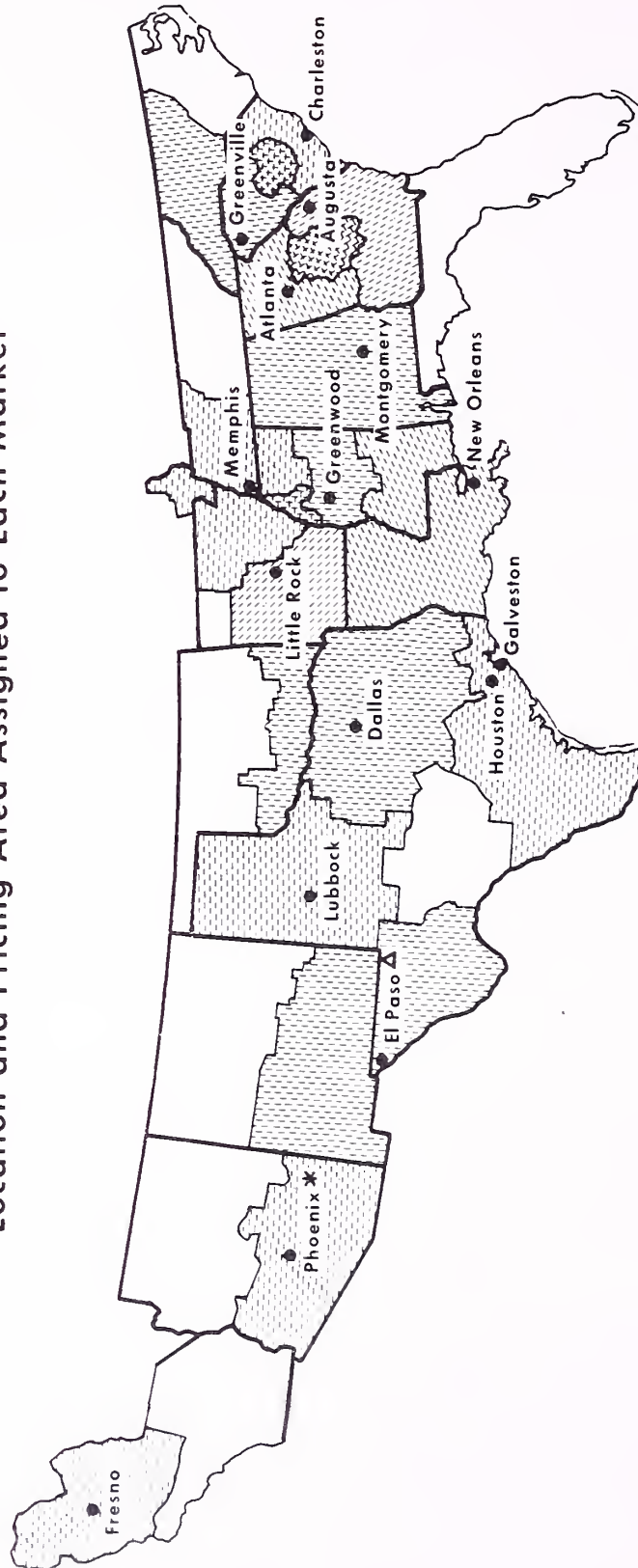
Method of Analysis

The first step in the analysis of the CN-A and NOC data was to delineate geographic areas, or marketing territories, surrounding and including each central market. Sales were associated with a particular area on the basis of the physical location of the cotton. Considerable effort was made to determine statistically a group of crop reporting districts where prices were homogeneous during a specified period of time. However, it was found that average prices for the same qualities on the same day differed significantly from point to point within even small areas.

The alternative method used for defining the individual marketing territories was to assign crop reporting districts to each designated market. This was done with the help of Department of Agriculture personnel who are most familiar with cotton production and marketing patterns and practices throughout the Belt. Fifteen geographic areas were selected for the analysis (fig. 1).

DESIGNATED SPOT COTTON MARKETS

Location and Pricing Area Assigned to Each Market



* PHOENIX WAS DESIGNATED BEGINNING WITH THE 1962-63 SEASON.
 ▲ EL PASO IS NOT A DESIGNATED SPOT MARKET.

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Figure 1

For this study the areas have been assumed to have no overlapping except in Greenville and Charleston, Augusta and Atlanta, Greenwood and Memphis, and Houston and Galveston. In South Carolina, crop reporting district 5 was assigned to both central markets in that State. Likewise, crop reporting district 5 in Georgia was assigned to both Georgia markets. Crop reporting district 1 in Mississippi was assigned to both Greenwood and Memphis. No attempt was made to divide the geographic area surrounding Houston and Galveston. Rather, the actual transactions in Texas districts 8, 9, and 10 were compared to quotations issued by each of the markets. Two geographic areas were established that have no designated central market located within them. These areas are El Paso, representing southern New Mexico and district 6 of Texas, and Phoenix, which includes crop reporting districts 5, 7, and 9 of Arizona. 2/

After the geographic areas were established, the next step was to associate each transaction with the official quotations issued by its assigned central market. This was done for each CN-A and each NOC transaction that occurred during each of the 2 years. Prices of each transaction in an area assigned to a central market and the effective quotation for that market were first adjusted to Greenville equivalents. The basis used for this adjustment was the location differentials established by CCC for its loan programs. Then, the price of each transaction was matched with its quotation.

The actual prices of all CN-A transactions along with their corresponding quotations for each quality were averaged for 10-day periods within a crop reporting district. The averages for each of the crop reporting districts assigned to a central market were then averaged for a central market average. 3/

Since NOC sales were transacted on only one day of the week, and each type of NOC sale generally occurred at intervals of 2 weeks, the data of the NOC sale could be assigned to a 10-day period corresponding with the 10-day averages of CN-A sales. NOC-15 sales during the 1960-61 season, however, were made weekly; therefore occasionally two sales dates occurred within the same 10-day period. For these transactions, the actual prices along with their respective quotations were summarized for each date; analysis of variance then indicated that the two dates could be combined into a single 10-day period. The method of averaging the NOC transactions and their associated quotations was identical to that used for CN-A except, of course, the step of averaging days within a district was not required.

The next step in the analysis was to attempt to combine the three types of transactions. The procedure followed was to match CN-A transactions with each type of NOC sale. The transactions were matched on the basis of market,

2/ Phoenix was designated beginning with the 1962-63 season. Since quotations were not available for Phoenix and El Paso during the study period, these areas are not shown in the analysis.

3/ Two types of averages were calculated. First, averages were calculated without regard for the number of bales in the lot. Next, averages were calculated with the price and quotation for each transaction weighted by the number of bales in the lot. Generally, the differences between the two averages were minor and varied randomly among markets, qualities, and 10-day periods.

quality, and 10-day period. The resulting matched groups were tested by analysis of variance to determine whether it was appropriate to combine the transactions. Results indicated a significant difference between the average prices paid for CN-A and NOC transactions, and the types of transactions could not be combined.

Mixed-quality lots are bought almost exclusively on a round-lot price, and thus, prices for individual qualities in the lot cannot be determined. Therefore, the method of analyzing the mixed-lot data was to calculate quotations for each of the mixed lots. This was accomplished by multiplying the quotations for each quality in the mixed lot by the number of bales of that quality included in the lot and dividing by the total number of bales. Quotations for each mixed lot were then subtracted from the price paid for the lot to provide a measure of variation between quoted and paid prices.

Qualities of Cotton Included in the Study

The designated central markets are each responsible for issuing quotations for from 304 to 494 qualities of cotton. Many of these qualities are not available in any of the markets at any time during the year. Very few, if any, of the qualities are available in all the markets throughout the marketing year. Consequently, quotations for a majority of the qualities on a given day must be "nominal" or approximated by the quotations committee.

This situation drastically reduced the number of qualities that could be included in the study. CN-A transactions during the 1959-60 and the 1960-61 seasons included at least some lots of each grade in each of the officially recognized color groups. However, by far the greater proportion of the cotton sold through the CN-A program was White and Light Spotted and only negligible volumes of cotton were in other color categories. White cotton was limited mainly to grades Low Middling and better. In 1959-60 about 79 percent of the volume on which records were available was White cotton. More than three-fourths of the total volume in every area except Dallas and Lubbock was of White cotton. In these two areas, where much of the crop is machine-stripped, Light Spotted cotton accounted for a large part of the total volume. Light Gray cotton was such a minor part of the total volume in each market that it was not included in the analysis for 1959-60.

The quality distribution included in the CN-A transactions for 1960-61 was about the same as for the previous year except that Lubbock had an increased proportion of Spotted cotton. All markets had at least a limited amount of Light Gray cotton in 1960-61. Practically no Tinged cotton was traded during either season.

NOC-13 and NOC-15 transactions included about the same quality distribution as CN-A. Qualities sold through the NOC-12 and NOC-14 programs were limited almost entirely to the White grades.

Both CN-A sales data and data on qualities produced in the 1959-60 and 1960-61 seasons revealed that 29/32-inch and shorter staples were restricted almost entirely to the Texas areas and that 15/16-inch and 31/32-inch staples while present in small volumes in all areas except Greenwood and Fresno, were concentrated in Texas. The staple length of 1-1/16 inches accounted for more of the

total CN-A volume than any other; 40.1 percent in 1959-60 and 35.2 percent in 1960-61 was 1-1/16 inches. This was the major staple length in all areas except Dallas, Houston, Galveston, and Lubbock. In Dallas and Lubbock during both seasons the staple length sold in greatest volume was 15/16 inch, and in the Houston-Galveston area it was 1-1/32 inches.

For the 1959-60 season it was found that 113 qualities accounted for about 97 percent of the total bales and 85 percent of the total sales on which CN-A records were available. For the 1960-61 season, an additional 24 qualities were included in the analysis. ^{4/} These qualities accounted for 95 and 98 percent, respectively, of the total ginnings for the 1959-60 and 1960-61 seasons.

OFFICIAL QUOTATIONS AS RELATED TO SPOT VALUES FOR COTTON

The major purpose of the official quotations is to reflect prices paid for cotton in each of the designated spot markets. As a basis for evaluating the quotations as reflectors of spot values for cotton, the three types of transactions were considered in the following order and manner.

First, prices paid for cotton sold through the CN-A program were related to the official quotations. Next, prices paid for cotton sold through the NOC programs were related to CN-A prices. Third, prices paid for mixed-quality lots in Dallas, Lubbock, and Fresno were related to the quotations and to CN-A prices in these markets. Some of the highlights of the analysis are discussed below.

Relationships Between Official Quotations and CN-A Prices

The relationships between the official quotations and the prices paid for cotton sold through the CN-A program varied widely among the designated markets during the same month and from one month to another in the same market. Marked differences were also found among qualities and groups of qualities in the relationships among markets and during the season. The following data are presented to show the relationships between quotations and CN-A prices paid for (1) all qualities combined by market and by month, (2) various quality groups for all markets and months combined, and (3) selected groups of qualities by market and by month. ^{5/}

Relationships for All Qualities Combined

Price quotations for all 14 markets combined and for all qualities of cotton included in this study averaged 30 points lower than prices paid in 1959-60

^{4/} See appendix table 13 for a complete listing of qualities included in the analysis.

^{5/} Relationships are shown in terms of deviations of quotations from CN-A prices. Average deviation of quotations from CN-A prices is based on individual lot deviations weighted by the number of bales of cotton in the lot.

and 18 points lower than prices paid in 1960-61 (table 1). 6/ Monthly averages of the quotations in 1959-60 ranged from 47 points lower than prices paid in November to 11 points higher than prices paid in January. Seasonal averages of quotations by market in 1959-60 ranged from 76 points lower than prices paid in Dallas to 6 points higher than prices paid in Greenwood. In 1960-61, monthly averages of the quotations for the 14 markets combined ranged from 87 points lower than prices paid in August to 13 points higher than prices paid in November and December. Seasonal averages of quotations by market in 1960-61 ranged from 94 points lower than prices paid in Galveston to 23 points higher than prices paid in Memphis. Monthly average deviations of quotations from prices paid for all qualities of cotton combined varied considerably from one market to another in the same month, and from one month to another in the same market, in both the 1959-60 and 1960-61 seasons.

Relationships Among Quality Groups

The qualities of cotton included in this study were grouped into 10 grade and staple length combinations for 1959-60 and 12 grade and staple length combinations in 1960-61 (table 2). In 1959-60, quotations for all markets combined averaged lower than prices paid for every group of qualities, ranging from 18 points lower for medium grade White cotton of staple lengths 1 inch and longer to 265 points lower for the small volume of Tinged cotton. In 1960-61 quotations ranged from 23 points higher than prices paid for Light Gray cotton 1 inch and longer to 127 points lower than prices paid for the relatively few bales of Tinged cotton.

In 1959-60 approximately 99 percent and in 1960-61 about 97 percent, of the total volume of cotton on which CN-A records were available was of White and Light Spotted qualities. Moreover, 1-inch and longer staples of those grades accounted for 90 percent or more of the total volume in all areas except Texas. In the Houston-Galveston area about two-thirds of the total volume was 1 inch and longer, but in Dallas and Lubbock only about one-third and one-fifth, respectively, of the total volume was long staple.

Since all the designated markets had substantial volumes of White and Light Spotted grades 1 inch and longer, the relationships between quotations and prices paid for each of these groups are shown below for each market. On the other hand, 74 percent in 1959-60, and 86 percent in 1960-61, of the total volume of cotton shorter than 1 inch was in the marketing areas of Dallas and Lubbock. Therefore, the analysis of these staples was limited to these two markets.

High grade White cotton, 1-inch and longer.--This group of qualities included Middling, Middling Plus, and Strict Middling. It accounted for about 33 percent of the total CN-A volume in 1959-60 and 36 percent in 1960-61. Quotations for all 14 markets combined for these qualities averaged 28 points lower than prices paid during the 1959-60 season, and the monthly averages ranged from 12 points lower in October to 56 points lower in December. In 1960-61, the quotations averaged 17 points lower than prices paid during the season, and monthly

6/ One point equals 1/100 cent.

Table 1.--All qualities of cotton: Average deviation of quotations from prices paid for cotton sold through CN-A program, monthly and seasonal, and quantity of cotton sold, 14 markets, seasons 1959-60 and 1960-61 ^{1/}

Season and designated spot market	Average deviation ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season 3/	
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1959-60:									
Greenville...	--	-31	-08	-60	-35	-14	-40	-30	56,136
Charleston...	--	-24	-02	-121	-93	-31	-03	-36	51,491
Augusta.....	--	-04	17	-41	-51	24	42	-09	43,859
Atlanta.....	--	-44	0	-37	-47	08	-08	-23	33,183
Montgomery...	--	-43	-43	-35	-26	12	-25	-35	87,219
New Orleans...	--	-60	-32	-43	-56	22	-45	-41	99,251
Little Rock..	--	-03	-31	-38	-05	135	28	-17	16,880
Memphis.....	--	09	10	-20	09	72	10	03	296,375
Greenwood....	--	19	12	-13	0	31	08	06	77,814
Dallas.....	--	-80	-88	-94	-78	-01	-18	-76	119,572
Houston.....	--	-64	05	-16	-55	-75	-36	-49	75,667
Galveston....	--	-73	-15	-15	-48	-74	-34	-58	75,667
Lubbock.....	--	06	-46	-82	-55	43	38	-38	153,613
Fresno.....	--	-18	-57	-70	-62	30	-13	-54	80,376
14 markets..	--	-42	-18	-47	-38	11	0	-30	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold:	--	235,197	359,230	291,079	240,092	97,587	43,918	--	1,267,103
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1960-61:									
Greenville...	--	-05	-37	-45	-17	-58	-68	-32	58,770
Charleston...	63	31	07	39	48	34	08	22	61,578
Augusta.....	19	-09	06	16	29	27	-31	03	64,169
Atlanta.....	-16	15	-05	-17	05	-07	-30	-08	69,236
Montgomery...	-78	-07	-27	10	17	05	-66	-22	173,554
New Orleans..	-48	-44	-05	17	-01	-27	-71	-22	202,786
Little Rock..	--	14	05	41	31	07	-36	10	55,462
Memphis.....	59	13	-04	53	41	13	09	23	438,655
Greenwood....	47	29	03	25	30	02	-21	05	143,562
Dallas.....	-78	-77	-62	-51	01	-20	-51	-49	175,477
Houston.....	-80	-71	-29	-28	07	-91	-97	-71	104,074
Galveston....	-101	-105	-54	-20	32	-58	-73	-94	104,074
Lubbock.....	-324	-58	-36	-37	02	-41	-74	-32	377,173
Fresno.....	--	--	-88	-30	-32	-56	-30	-36	16,257
14 markets..	-87	-36	-19	13	13	-23	-40	-18	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold:	90,503	272,267	492,104	352,079	308,153	215,970	313,751	--	2,044,827

^{1/} The CN-A program was a special sales program effective during the seasons of 1959-60 and 1960-61. Sales were made locally throughout the Cotton Belt by trades people serving as agents for the Commodity Credit Corporation.

^{2/} Based on individual lot deviations weighted by the number of bales of cotton in the lot. Minus (-) indicates that quotations were lower than CN-A prices. One point equals 1/100 cent.

^{3/} Six months in 1959-60; 7 months in 1960-61.

Table 2.--United States: Quantity of cotton sold through CN-A program, and average deviation of quotations from prices paid per pound, by quality groups, seasons 1959-60 and 1960-61 1/

Quality group	1959-60		1960-61	
	Quantity	Deviation	Quantity	Deviation
	sold	2/	sold	2/
	<u>Bales</u>	<u>Points</u>	<u>Bales</u>	<u>Points</u>
White:				
M, M+, SM:				
1" to 1-1/8".....	414,648	-28	743,378	-17
7/8" to 31/32".....	44,678	-28	87,821	-41
LM, LM+, SIM, SIM+:				
1" to 1-1/8".....	474,969	-18	596,284	-01
7/8" to 31/32".....	65,787	-48	58,481	-41
Light Spotted:				
M, SM:				
1" to 1-1/8".....	63,732	-32	123,417	-14
29/32" to 31/32".....	127,000	-38	242,379	-36
LM, SIM:				
1" to 1-1/8".....	38,159	-75	77,854	-23
29/32" to 31/32".....	30,756	-83	52,924	-66
Spotted:				
LM, SIM, M, 7/8" to 1"...	7,223	-132	23,573	-68
Tinged:				
LM, SIM, M, 7/8" to 1"...	151	-265	281	-127
Light Gray:				
SIM, M, SM:				
1" to 1-1/8".....	--	--	34,559	23
29/32" to 31/32".....	--	--	3,876	-76
All qualities.....	1,267,103	-30	2,044,827	-18

1/ See table 1, footnote 1.

2/ See table 1, footnote 2.

averages ranged from 54 points lower in August to about the same as prices paid in September and October (table 3).

Data for individual markets show that average deviations of the quotations from prices paid varied widely from one market to another in the same month and from one month to another in the same market (table 3). In most of the markets during most of the months, quotations averaged lower than CN-A prices paid. Seasonal average quotations for each of the designated markets in 1959-60 were lower than prices paid, with the differences ranging from 1 point lower in Little Rock to 61 points lower in New Orleans. In 1960-61, seasonal average quotations for 10 of the 14 markets were lower than prices paid. The differences ranged from 62 points lower in Galveston to 29 points higher in Charleston.

Medium grade White cotton, 1 inch and longer.--This group of qualities included Low Middling, Low Middling Plus, Strict Low Middling, and Strict Low Middling Plus and amounted to 38 percent of the total CN-A volume in 1959-60 and 29 percent in 1960-61. Quotations for the 14 markets combined for these qualities averaged 18 points lower than prices paid in 1959-60 and monthly averages during the season ranged from 70 points lower than prices paid in September to 34 points higher than prices paid in January. In 1960-61, the quotations averaged 1 point lower than prices paid during the season, and monthly averages ranged from 152 points lower than prices paid in August to 37 points higher than prices paid in November (table 4).

On an individual market basis, average deviations of the quotations from prices paid varied widely among markets during the same month and from one month to another in the same market (table 4). Quotations in most of the markets in 1959-60 averaged lower than prices paid from September through December and higher than prices paid in January and February. In 1960-61, quotations in most of the markets averaged lower than prices paid from August through October and again in February, but were higher than prices paid from November through January. Seasonal average quotations were lower than prices paid in 11 of the 14 markets in 1959-60, with the differences ranging from 105 points lower in Dallas to 12 points higher in Memphis. In 1960-61, seasonal average quotations for 10 of the 14 markets were lower than prices paid. The differences ranged from 130 points lower in Galveston to 38 points higher in Memphis.

High grade Light Spotted cotton, 1 inch and longer.--This group of qualities included Middling and Strict Middling and accounted for 5 percent of the total CN-A volume in 1959-60 and 6 percent in 1960-61. Very little of this cotton was located in Fresno. Quotations for all markets combined for these qualities averaged 32 points lower than prices paid during the 1959-60 season, and the monthly averages ranged from 75 points lower in August to 22 points higher in January. In 1960-61, the quotations averaged 14 points lower than prices paid during the season, and monthly averages ranged from 133 points lower in August to 39 points higher in December (table 5).

Quotations in most of the markets in 1959-60 were lower than prices paid from September through December and higher than prices paid in January and February. In 1960-61, in most of the markets, quotations averaged lower than prices paid from August through October and in February, but were higher than prices paid in December and January (table 5). Seasonal average quotations for

Table 3.--White cotton, grades M, M+, and SM, staple lengths 1 inch and longer: Average deviation of quotations from prices paid per pound of cotton sold through the CN-A program, and quantities sold, monthly and seasonal, 14 markets, seasons 1959-60 and 1960-61 ^{1/}

Season and designated spot market	Average deviations ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season ^{3/}	
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1959-60:									
Greenville...	--	-37	-30	-56	-100	-51	-58	-48	18,592
Charleston...	--	-03	06	-08	-38	-41	-25	-13	19,701
Augusta.....	--	23	15	-20	-75	-02	-17	-09	18,404
Atlanta.....	--	-23	-12	-73	-97	-77	-128	-47	11,328
Montgomery...	--	-19	-26	-29	-30	-48	-12	-24	29,674
New Orleans...	--	-53	-44	-63	-91	-101	-75	-61	25,066
Little Rock...	--	08	-08	-21	-20	-23	11	-01	4,327
Memphis.....	--	10	-01	-42	-20	-14	-21	-09	122,601
Greenwood....	--	18	02	-53	-66	-72	-47	-05	30,165
Dallas.....	--	-08	-37	-69	-85	-87	-46	-58	9,382
Houston.....	--	-38	-23	-68	-60	-88	-23	-42	27,465
Galveston....	--	-32	-21	-54	-47	-86	-37	-37	27,465
Lubbock.....	--	06	-60	-102	-48	-46	-31	-55	9,921
Fresno.....	--	09	-57	-70	-60	23	-17	-53	60,557
14 markets..	--	-14	-12	-55	-56	-35	-29	-28	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	--	130,025	108,852	61,613	69,268	23,050	21,840	--	414,648
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1960-61:									
Greenville...	--	13	14	02	-51	-74	-61	02	24,330
Charleston...	60	45	31	22	-73	-63	-54	29	26,235
Augusta.....	27	22	-12	-03	-07	-31	-35	07	22,190
Atlanta.....	-15	32	01	-131	-24	-45	-31	-25	30,413
Montgomery...	-55	27	04	-24	-40	-44	-73	-18	88,320
New Orleans...	-41	-21	-16	-25	-36	-75	-76	-44	95,115
Little Rock...	--	17	12	13	-18	-34	-41	-10	19,670
Memphis.....	81	13	03	14	0	-13	10	07	205,659
Greenwood....	71	37	09	15	49	-10	-20	-04	72,047
Dallas.....	-21	-23	-26	-36	-54	-58	-56	-34	16,613
Houston.....	-47	-59	-40	-32	-40	-86	-89	-53	43,556
Galveston....	-66	-60	-11	-08	-15	-63	-62	-62	43,556
Lubbock.....	-293	-21	-24	-44	-79	-99	-75	-59	40,645
Fresno.....	--	--	-88	-30	-34	-58	-02	-35	15,029
14 markets..	-54	03	0	-17	-30	-41	-35	-17	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	52,687	157,129	204,204	51,552	17,978	29,040	230,788	--	743,378

^{1/} See table 1, footnote 1.

^{2/} See table 1, footnote 2.

^{3/} See table 1, footnote 3.

Table 4.--White cotton, grades IM, IM+, SIM, and SIM+, staple lengths 1 inch and longer: Average deviation of quotations from prices paid per pound for cotton sold through the CN-A program, and quantities sold, monthly and seasonal, 14 markets, seasons 1959-60 and 1960-61 ^{1/}

Season and designated spot market	Average deviation ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season ^{3/}	
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1959-60:									
Greenville....	--	-14	-02	-63	-61	-26	-94	-29	22,629
Charleston....	--	-78	06	-30	-100	-26	-24	-23	22,287
Augusta.....	--	-48	20	-29	-60	-15	118	-08	19,373
Atlanta.....	--	-63	25	-14	-17	38	99	01	12,972
Montgomery....	--	-86	-30	-32	-22	31	37	-28	37,136
New Orleans...	--	-71	-20	-28	-34	22	-17	-26	65,841
Little Rock...	--	-56	-49	-45	-07	78	27	-32	10,612
Memphis.....	--	0	22	-13	20	97	80	12	159,404
Greenwood....	--	13	14	-07	16	51	28	10	38,768
Dallas.....	--	-73	-100	-161	-100	-07	66	-105	23,521
Houston.....	--	-78	31	17	-51	-15	94	-46	17,301
Galveston....	--	-107	03	12	-57	-41	85	-72	17,301
Lubbock.....	--	-76	-55	-115	-109	-25	84	-87	8,060
Fresno.....	--	-201	-29	-70	-68	83	-05	-57	19,764
14 markets..	--	-70	-03	-30	-15	34	10	-18	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	--	50,361	150,410	143,758	90,925	29,547	9,968	--	474,969
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1960-61:									
Greenville....	--	-101	-83	-49	-19	-53	-78	-63	23,842
Charleston....	70	-19	-06	43	100	62	68	18	28,770
Augusta.....	-23	-42	0	18	27	21	-13	-02	29,523
Atlanta.....	-49	-44	-18	25	07	17	-22	-01	24,595
Montgomery....	-156	-99	-53	26	20	17	-48	-23	49,053
New Orleans...	-99	-80	08	27	08	-18	-54	-01	82,198
Little Rock...	--	-36	-02	46	37	19	-10	25	27,701
Memphis.....	-09	03	-22	63	41	27	-01	38	187,356
Greenwood....	-54	-18	-04	27	27	05	-05	15	50,819
Dallas.....	-90	-101	-62	-33	25	08	-07	-42	26,550
Houston.....	-116	-74	-16	27	29	-82	-95	-78	25,433
Galveston....	-193	-130	-31	28	65	-21	-61	-130	25,433
Lubbock.....	-382	-106	-55	-33	08	-28	-50	-22	14,087
Fresno.....	--	--	--	-25	15	49	-62	-27	924
14 markets..	-152	-84	-21	37	29	08	-29	-01	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	13,239	61,972	141,358	184,241	113,931	54,731	26,812	--	596,284

^{1/} See table 1, footnote 1.

^{2/} See table 1, footnote 2.

^{3/} See table 1, footnote 3.

Table 5.--Light Spotted cotton, grades M and SM, staple lengths 1 inch and longer: Average deviation of quotations from prices paid per pound for cotton sold through the CN-A program, and quantities sold, monthly and seasonal, 14 markets, seasons 1959-60 and 1960-61 ^{1/}

Season and designated spot market	Average deviation ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season ^{3/}	
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1959-60:									
Greenville....	--	05	42	54	72	124	73	49	2,638
Charleston....	--	-69	17	-04	-85	44	20	-06	1,300
Augusta.....	--	-45	-01	-09	-05	35	72	-03	1,960
Atlanta.....	--	-96	-17	-19	-14	63	113	-19	4,399
Montgomery....	--	-89	-20	-04	-07	30	-123	-25	10,821
New Orleans...	--	-108	-92	-88	-71	41	39	-81	5,971
Little Rock...	--	121	33	21	08	93	52	24	968
Memphis.....	--	74	14	-22	05	104	54	04	8,947
Greenwood.....	--	96	59	-01	04	54	48	30	6,643
Dallas.....	--	-90	-74	-71	-69	-15	12	-67	6,275
Houston.....	--	-70	15	57	24	-41	36	-35	1,859
Galveston....	--	-117	-30	27	14	-49	18	-73	1,859
Lubbock.....	--	-88	-93	-115	-101	-12	82	-93	10,037
Fresno.....	--	-301	--	-63	68	177	-171	07	55
14 markets..	--	-75	-24	-38	-33	22	-36	-32	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	--	5,836	21,567	19,026	10,780	4,512	2,011	--	63,732
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1960-61:									
Greenville....	--	19	-33	-30	0	-32	-131	-26	5,661
Charleston....	67	-29	-20	31	81	93	79	07	2,975
Augusta.....	-21	-79	51	29	40	38	-58	17	6,689
Atlanta.....	06	-11	22	36	40	25	-53	24	8,525
Montgomery....	-113	-73	-57	15	65	42	-47	-20	19,721
New Orleans...	--	-74	-03	25	11	-20	-52	-02	10,864
Little Rock...	--	-64	-26	32	20	-13	-48	03	2,208
Memphis.....	--	-56	-53	29	67	04	-16	23	13,651
Greenwood.....	179	10	-06	15	36	01	-145	0	8,614
Dallas.....	-166	-96	-93	-49	47	09	-17	-54	14,998
Houston.....	-90	-26	01	28	50	-106	-99	-35	3,249
Galveston....	-176	-107	-14	35	87	-35	-91	-86	3,249
Lubbock.....	-479	-137	-54	-37	22	-28	-08	-26	22,998
Fresno.....	--	--	--	--	--	95	110	109	15
14 markets..	-133	-69	-34	04	39	-08	-50	-14	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	2,288	11,026	35,014	34,057	22,232	12,259	6,549	--	123,417

^{1/} See table 1, footnote 1.

^{2/} See table 1, footnote 2.

^{3/} See table 1, footnote 3.

9 of the 14 markets were lower than prices paid, and the differences ranged from 93 points lower in Lubbock to 49 points higher in Greenville. In 1960-61 seasonal average quotations for 7 of the 14 markets were lower than prices paid. The differences ranged from 86 points lower in Galveston to 109 points higher in Fresno for only 15 bales of cotton.

Low grade Light Spotted cotton, 1 inch and longer.--This group of qualities included Low Middling and Strict Low Middling and accounted for 3 and 4 percent, respectively, of the total CN-A volume in 1959-60 and in 1960-61. No record of sales of these qualities was available from Fresno. Quotations for the 13 markets combined for these qualities averaged 75 points lower than prices paid during the 1959-60 season and monthly averages ranged from 196 points lower in September to 200 points higher in February. In 1960-61, the quotations averaged 23 points lower than prices paid during the season, and monthly averages ranged from 162 points lower in August to 1 point lower in December (table 6).

Quotations in most of the markets in 1959-60 averaged substantially lower than prices paid from September through December, and substantially higher than prices paid during January and February. In 1960-61, quotations averaged lower than prices paid in a majority of the markets during all months except December (table 6). Seasonal average quotations for 10 of the 13 markets were lower than prices paid in 1959-60, with differences ranging from 241 points lower in Lubbock to 29 points higher in Little Rock. In 1960-61, seasonal average quotations were lower than prices paid in 9 of the 13 markets. The differences ranged from 122 points lower in Galveston to 29 points higher in Greenwood.

Staple lengths shorter than 1 inch.--About 16 percent in 1959-60 and 12 percent in 1960-61 of the total volume of White and Light Spotted cotton on which CN-A records were available was of staple lengths shorter than 1 inch. As was indicated earlier, most of the cotton of these staple lengths was located in the marketing areas of Dallas and Lubbock. Quotations for the two markets combined averaged lower than prices paid for all grades of cotton of the shorter staple lengths in the 1959-60 season, ranging from an average of 15 points lower for high grade White to 114 points lower for low grade Light Spotted. In 1960-61, the quotations again averaged lower than prices paid by amounts ranging from 15 points for medium grade White to 59 points for low grade Light Spotted (table 7).

Seasonal patterns for 1959-60 were similar to those found for staple lengths 1 inch and longer. Quotations for the higher grades of White cotton averaged lower than prices paid during most of the year, and quotations for the lower grades averaged below prices paid early in the season, and higher than prices paid in January and February. During the 1960-61 season, quotations for some grades averaged about the same as prices paid, and for other grades they were extremely low relative to prices paid.

Table 6.--Light Spotted cotton, grades IM and SIM, staple lengths 1 inch and longer: Average deviation of quotations from prices paid per pound for cotton sold through the CN-A program, and quantities sold, monthly and seasonal, 14 markets, seasons 1959-60 and 1960-61 ^{1/}

Season and designated spot market	Average deviation ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season ^{3/}	
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1959-60:									
Greenville...	--	-201	-41	-59	57	68	228	-14	6,452
Charleston...	--	-139	-59	-206	-170	-03	211	-129	4,552
Augusta.....	--	-304	12	-137	74	293	322	-32	2,658
Atlanta.....	--	-305	-92	-97	-18	167	342	-69	1,962
Montgomery...	--	-331	-159	-64	-66	04	224	-109	7,615
New Orleans...	--	-227	-199	-163	-202	88	177	-160	2,124
Little Rock...	--	33	-106	-50	-34	254	186	29	258
Memphis.....	--	-385	-64	-07	05	97	189	23	3,190
Greenwood.....	--	-205	-29	-21	42	220	140	06	2,192
Dallas.....	--	-25	-162	-68	-60	74	202	-91	3,393
Houston.....	--	-182	02	24	-53	119	158	-43	968
Galveston.....	--	-273	-81	15	-67	119	154	-91	968
Lubbock.....	--	-249	-230	-309	-263	-52	186	-241	1,827
Fresno.....	--	--	--	--	--	--	--	--	--
14 markets..	--	-196	-102	-92	-49	79	200	-75	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	--	1,432	11,263	14,923	7,580	2,187	774	--	38,159
	Points	Points	Points	Points	Points	Points	Points	Points	Bales
1960-61:									
Greenville...	--	28	-150	-118	-23	-34	-34	-70	3,305
Charleston...	--	-01	-43	-08	28	32	52	03	1,824
Augusta.....	-112	-104	04	01	39	111	17	-12	3,956
Atlanta.....	--	-102	-31	-09	21	69	52	10	4,212
Montgomery...	-167	-131	-78	-19	-19	17	-42	-39	13,164
New Orleans...	-337	-111	75	63	-35	-23	-37	-07	8,392
Little Rock...	--	--	37	04	06	-10	-63	-01	2,267
Memphis.....	--	67	-03	35	07	-01	0	09	15,947
Greenwood.....	--	-75	-29	29	53	10	-13	29	7,847
Dallas.....	-141	-124	-129	-96	-24	-28	-62	-76	8,401
Houston.....	-131	-104	-57	-44	-25	-77	-137	-88	1,721
Galveston.....	-194	-155	-79	-43	01	-39	-110	-122	1,721
Lubbock.....	--	-234	-147	-95	-33	-71	-126	-72	5,097
Fresno.....	--	--	--	--	--	--	--	--	--
14 markets..	-162	-120	-57	-15	-01	-09	-31	-23	--
Quantity sold.....	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
	392	3,845	11,363	20,430	21,671	14,815	5,338	--	77,854

^{1/} See table 1, footnote 1.

^{2/} See table 1, footnote 2.

^{3/} See table 1, footnote 3.

Table 7.--Selected grades of cotton of staple lengths shorter than 1 inch: Average deviation of quotations from prices paid per pound for cotton sold through CN-A program, monthly and seasonal, and quantity sold, Dallas and Lubbock, seasons 1959-60 and 1960-61 ^{1/}

Season, grade of cotton and market	Average deviation ^{2/}								Quantity sold
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season 3/	
1959-60:	Points	Points	Points	Points	Points	Points	Points	Points	Bales
M, M+, SM:									
Dallas.....	--	26	-21	-43	-47	-59	-17	-21	8,697
Lubbock.....	--	29	-11	-67	-33	04	-53	-12	17,845
Average.....	--	28	-14	-52	-39	-20	-36	-15	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	4,067	13,900	1,409	3,101	1,136	2,929	--	26,542
IM, IM+, SIM, SIM+:									
Dallas.....	--	-111	-79	-102	-85	07	68	-82	23,309
Lubbock.....	--	-44	-38	-69	-39	60	113	-11	17,392
Average.....	--	-110	-75	-88	-50	44	101	-52	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	5,145	9,962	7,972	9,895	6,565	1,162	--	40,701
M, SM, Lt. Spot:									
Dallas.....	--	-73	-76	-39	-56	08	-15	-52	33,302
Lubbock.....	--	-67	-37	-47	-38	53	80	-20	79,894
Average.....	--	-72	-60	-45	-40	40	65	-29	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	6,879	21,666	26,179	35,042	19,763	3,667	--	113,196
IM, SIM, Lt. Spot:									
Dallas.....	--	-195	-171	-76	-86	-21	57	-111	11,093
Lubbock.....	--	-329	-216	-245	-126	39	189	-119	5,937
Average.....	--	-198	-181	-119	-108	24	150	-114	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	863	4,278	6,658	3,033	1,609	589	--	17,030
1960-61:	Points	Points	Points	Points	Points	Points	Points	Points	Bales
M, M+, SM:									
Dallas.....	-02	11	24	34	15	-19	-06	18	13,132
Lubbock.....	--	-25	01	-02	-60	-80	-75	-39	46,163
Average.....	-62	01	08	01	-58	-77	-73	-26	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	377	5,069	24,176	5,541	594	5,722	17,816	--	59,295
IM, IM+, SIM, SIM+:									
Dallas.....	-111	-112	-65	-30	05	15	-37	-44	10,783
Lubbock.....	--	-129	-73	-35	06	-01	-43	-06	33,541
Average.....	-111	-112	-65	-34	06	01	-42	-15	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	78	1,476	4,372	6,589	18,508	10,901	2,400	--	44,324
M, SM, Lt. Spot:									
Dallas.....	-202	-113	-74	-54	07	-24	-65	-60	69,905
Lubbock.....	--	-143	-67	-36	11	-33	-69	-21	159,202
Average.....	-202	-115	-72	-41	10	-32	-68	-33	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	233	7,923	52,389	30,540	77,161	50,381	10,480	--	229,107
IM, SIM, Lt. Spot:									
Dallas.....	-210	-147	-133	-108	-56	-22	-66	-78	12,617
Lubbock.....	--	-354	-225	-76	-04	-65	-109	-53	33,866
Average.....	-210	-150	-140	-92	-14	-58	-99	-59	--
	Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	12	496	3,079	3,993	14,062	18,837	6,004	--	46,483

^{1/} See table 1, footnote 1.

^{2/} See table 1, footnote 2.

^{3/} See table 1, footnote 3.

Reflecting, at least to some extent, a greater concentration and a more advanced stage of marketing, prices paid for most grades and staple lengths of cotton sold through the NOC programs averaged significantly higher than prices for the same qualities sold through the CN-A program during both the 1959-60 and the 1960-61 seasons. In 1959-60 for all qualities combined, prices paid averaged about 20 points higher for cotton sold through the NOC-12 program and 65 points higher for cotton sold through the NOC-13 program than for like grades and staple lengths sold through the CN-A program. In 1960-61, NOC-14 and NOC-15 prices averaged 90 and 20 points, respectively, higher than CN-A prices (table 8).

The differences between NOC and CN-A prices generally varied among groups of qualities and from one month to another during the season. In 1959-60, prices paid for cotton sold through the NOC-12 and NOC-13 programs averaged about the same as CN-A prices for the higher grades of White cotton of staple lengths 1 inch and longer, but were higher than CN-A prices for the lower qualities. Seasonal averages of NOC-12 prices ranged from 6 points lower than CN-A prices for the best group of White qualities to 169 points higher than CN-A prices for low grade Light Spotted cotton of the shorter staple lengths (table 8). Similarly, seasonal averages of NOC-13 prices ranged from 2 points higher than CN-A prices for the best group of White qualities to 501 points higher than CN-A prices for the limited volume of Spotted cotton. Monthly averages of prices paid for all qualities of cotton sold through the NOC-12 program ranged from 31 points lower than CN-A prices in September to 147 points higher than CN-A prices in February. Likewise, NOC-13 prices ranged from 4 points lower than CN-A prices in September to 103 points higher than CN-A prices in January.

In 1960-61, seasonal average prices paid for the high grades of White cotton sold through the NOC-14 program were substantially higher than CN-A prices for these qualities, amounting to 107 points for 1-inch and longer staples and 90 points for shorter staples. Other qualities accounted for a minor proportion of the total volume sold under the NOC-14 program. Prices paid for many of these qualities were lower than CN-A prices. Seasonal average prices paid for cotton sold through the NOC-15 program were higher than CN-A prices for all quality groups, and the variation among quality groups ranged from 4 points for the high qualities of White cotton to 50 points for Light Gray cotton 1 inch and longer. Monthly averages of prices paid for all qualities sold through the NOC-14 program ranged from 37 points higher than CN-A prices in August to 148 points higher than CN-A prices in January. Similarly, NOC-15 prices paid ranged from 22 points lower than CN-A prices in September to 43 points higher than CN-A prices in December.

Relationship Between Quotations and Prices Paid for Mixed-Lot Purchases

Mixed-lot purchases represent the type of transactions specified by legislation to be used for quotation purposes. During the 1959-60 season, data were

7/ Relationships are shown in terms of deviations of NOC prices from CN-A prices. Average deviations are weighted by the number of NOC bales.

Table 8.--Cotton sold through NOC programs: Average deviation of prices paid per pound from prices paid for cotton sold through CN-A program, monthly and seasonal, and quantities sold, by grade and staple length, 14 markets combined, seasons 1959-60 and 1960-61 1/

Season, NOC program, and: grade and staple of cotton 2/		Average deviation 3/							Season: 4/	Quantity sold
		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		
1959-60		Points	Points	Points	Points	Points	Points	Points	Points	Bales
NOC-12										
White:										
M, M+, SM:										
1" - 1-1/8".....	--	-06	-16	-22	01	-43	156	-06	321,054	
7/8" - 31/32".....	--	12	09	22	57	-04	-03	25	28,764	
LM, LM+, SIM, SIM+:										
1" - 1-1/8".....	--	-10	08	21	80	96	89	50	70,879	
7/8" - 31/32".....	--	-47	46	28	86	36	158	40	305,113	
Light Spotted:										
M and SM:										
1" - 1-1/8".....	--	-36	22	52	54	25	128	50	2,162	
29/32 - 31/32".....	--	-114	--	62	62	-14	71	49	9,348	
LM and SIM:										
1" - 1-1/8".....	--	-172	-422	-10	185	181	210	124	1,673	
29/32" - 31/32".....	--	-219	--	03	161	171	222	169	1,663	
Spotted:										
LM, SIM and M:										
7/8" - 1".....	--	--	-165	209	105	281	59	114	580	
Light Gray:										
SIM, M, and SM:										
1" - 1-1/8".....	--	--	--	--	--	--	--	--	--	
29/32" - 31/32".....	--	--	--	--	--	--	--	--	--	
All qualities.....	--	-31	02	12	25	16	147	21	--	
		Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	44,443	37,597	353,880	215,236	43,697	46,389	--	741,242	
NOC-13										
White:										
M, M+, SM:										
1" - 1-1/8".....	--	04	05	-14	04	10	06	02	60,928	
7/8" - 31/32".....	--	-01	-03	05	21	41	18	18	9,291	
LM, LM+, SIM, SIM+:										
1" - 1-1/8".....	--	-18	41	24	50	69	88	44	161,110	
7/8" - 31/32".....	--	-06	44	38	80	134	149	91	9,432	
Light Spotted:										
M and SM:										
1" - 1-1/8".....	--	66	45	23	40	104	61	43	33,500	
29/32 - 31/32".....	--	-27	08	-12	77	76	80	52	18,916	
LM and SIM:										
1" - 1-1/8".....	--	-114	56	159	211	213	279	193	37,897	
29/32" - 31/32".....	--	37	48	10	270	310	286	272	12,385	
Spotted:										
LM, SIM and M:										
7/8" - 1".....	--	--	109	52	538	468	621	501	2,436	
Light Gray:										
SIM, M, and SM:										
1" - 1-1/8".....	--	--	--	--	--	--	--	--	--	
29/32" - 31/32".....	--	--	--	--	--	--	--	--	--	
All qualities.....	--	04	27	37	77	103	94	65	--	
		Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....	--	13,696	21,779	106,204	102,738	67,483	33,995	--	345,895	

Continued

Table 8.--Cotton sold through NOC programs: Average deviation of prices paid per pound from prices paid for cotton sold through CN-A program, monthly and seasonal, and quantities sold, by grade and staple length, 14 markets combined, seasons 1959-60 and 1960-61 1/--continued

Season, NOC program and : grade and staple of cotton 2/		Average deviation								Quantity
		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Season 4/	sold
	1960-61	Points	Points	Points	Points	Points	Points	Points	Points	Bales
NOC-14										
White:										
M, M+, SM:										
1" - 1-1/8".....		72	66	102	100	122	150	136	107	571,826
7/8" - 31/32".....		10	21	104	114	128	96	117	90	493,449
IM, IM+, SIM, SIM+:										
1" - 1-1/8".....		-80	-28	13	60	99	82	106	-07	43,209
7/8" - 31/32".....		-367	-115	-36	-20	16	-14	13	-31	21,516
Light Spotted:										
M and SM:										
1" - 1-1/8".....		--	08	12	96	--	28	86	29	5,389
29/32" - 31/32"....		-204	-126	-69	-30	07	05	08	-77	11,303
IM and SIM:										
1" - 1-1/8".....		-238	-104	-78	-129	15	133	25	-49	487
29/32" - 31/32"....		--	-195	-134	-122	-02	-103	-62	-104	569
Spotted:										
IM, SIM and M:										
7/8" - 1".....		--	--	-158	-108	10	-76	-17	-73	235
Light Gray:										
SIM, M, and SM:										
1" - 1-1/8".....		--	01	14	--	--	--	96	58	636
29/32" - 31/32"....		--	26	-12	08	30	--	-95	0	378
All qualities.....		37	32	97	96	98	148	128	90	--
		Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....		63,689	210,407	452,513	141,833	18,244	79,500	182,721	--	1,148,997
NOC-15										
White:										
M, M+, SM:										
1" - 1-1/8".....		--	18	12	15	03	-02	02	04	130,567
7/8" - 31/32".....		--	09	45	49	30	18	10	18	4,435
IM, IM+, SIM, SIM+:										
1" - 1-1/8".....		--	-29	08	33	46	47	26	26	200,496
7/8" - 31/32".....		--	-62	-01	05	50	70	18	14	3,131
Light Spotted:										
M and SM:										
1" - 1-1/8".....		--	-39	15	28	65	25	18	26	47,619
29/32" - 31/32"....		--	-24	07	09	52	22	72	26	16,207
IM and SIM:										
1" - 1-1/8".....		--	-44	04	06	37	66	57	29	31,996
29/32" - 31/32"....		--	-57	-12	02	44	53	66	26	4,239
Spotted:										
IM, SIM and M:										
7/8" - 1".....		--	-88	-28	08	34	24	38	26	1,253
Light Gray:										
SIM, M, and SM:										
1" - 1-1/8".....		--	-16	20	80	61	55	40	50	8,998
29/32" - 31/32"....		--	-97	26	67	46	-59	-148	12	261
All qualities.....		--	-22	09	25	43	38	15	20	--
		Bales	Bales	Bales	Bales	Bales	Bales	Bales	Bales	
Quantity sold.....		--	10,393	70,179	85,786	41,414	40,775	200,745	--	449,292

1/ The CN-A program was a special sales program effective during 1959-60 and 1960-61. Sales were made locally throughout the Belt by merchants serving as agents for the CCC.

2/ The NOC programs were sales programs in which the CCC offered cotton directly from its New Orleans Catalog. These sales were designated NOC-12 and -13 for the 1959-60 season and NOC-14 and -15 for the 1960-61 season. NOC-12 and -14 sales were accumulated by CCC from crop years preceding the current season. NOC-13 and -15 sales were of current-crop cotton not sold by CCC through the CN-A program. 3/ See table 1, footnote 2. 4/ See table 1, footnote 3.

secured from merchants in the markets of Dallas, Lubbock, and Fresno on the prices paid for lots of cotton of mixed grades and staple lengths. These data not only provide a basis for evaluating the quotations in these markets for the type of transaction specified by legislation, but also indicate differences that may exist between prices paid for mixed lots and those paid for even-running lots sold through the Government programs.

Records were obtained from firms in Dallas on 59 mixed-lot purchases totaling over 8,000 bales of cotton. Quotations for the qualities included in these lots averaged 20 points lower than prices paid and ranged from 22 points lower than prices paid in October to 46 points higher than prices paid in January (table 9). Quotations averaged nearer prices paid for cotton sold in mixed lots than for cotton sold through the CN-A program, suggesting that prices paid for mixed lots in Dallas were somewhat lower than CN-A prices.

Table 9.--Average deviation of quotations from CN-A prices and from mixed-lot purchase prices per pound of cotton in selected markets, by month, season 1959-60 1/

Month	Dallas		Lubbock		Fresno	
	CN-A	Mixed lot	CN-A	Mixed lot	CN-A	Mixed lot
	Points					
September.....	--	--	--	--	-18	-93
October.....	-88	-22	-46	33	-57	-19
November.....	-94	-20	-82	-09	-70	-34
December.....	-78	-71	-55	-33	-62	-133
January.....	-01	46	43	-09	30	25
February.....	--	--	38	56	-13	69
All months....	-75	-20	-39	-12	-54	-55

1/ Minus (-) indicates quotations were lower than prices paid. One point equals 1/100 cent.

Data on 143 mixed-lot transactions in Lubbock, totaling almost 12,000 bales, show that quotations averaged 12 points lower than prices paid for mixed lots and 39 points lower than prices paid for cotton sold through the CN-A program. Similar data on 926 mixed-lot transactions amounting to about 46,000 bales of cotton in Fresno show that deviations of the quotations from prices paid for these transactions varied substantially from month to month during the season, but averaged about the same as deviations from CN-A prices for the 6 months of 1959-60.

Recapitulation of Relationships Between Quotations
and Spot Values for Cotton

A major proportion of the total crop of upland cotton produced in the seasons of 1959-60 and 1960-61 was marketed through the CN-A program. Moreover, sales through this program accounted for a substantial part of the marketing activity in each of the designated spot markets. Even though sales through the CN-A program were not strictly comparable to the type of transaction specified for quotation purposes, prices paid for cotton sold through the program should bear a discernible relationship to the official quotations.

The analysis of the relationships between the quotations and CN-A prices showed that the quotations issued by most of the designated markets differed substantially from CN-A prices for many qualities of cotton for extended periods of time during the seasons of 1959-60 and 1960-61. Relationships varied markedly among markets within a month, between months within a market, and among qualities and groups of qualities in the same market within a month. While comparative evaluation of individual markets was not attempted, it was apparent that quotations in some markets more nearly reflected CN-A prices than quotations in other markets.

Quotations for cotton of Middling and better grades in most markets during most months of the 1959-60 and 1960-61 seasons averaged lower than CN-A prices. During both seasons prices paid for these qualities averaged about the same as the Government support price, and a major part of the differences between the quotations and prices paid apparently was accounted for by accumulated CCC storage charges which were not reflected in the quotations.

For grades lower than Middling, quotations in many of the markets averaged substantially below CN-A prices for long periods of both the 1959-60 and 1960-61 seasons, but were higher than CN-A prices during other periods. In 1959-60, in many of the markets quotations for these qualities averaged lower than CN-A prices from September through December and higher than CN-A prices in January and February. Quotations for the lower grades in 1960-61 tended to average below CN-A prices from August through November and again in February, but generally were above CN-A prices in December and January. During both seasons, prices paid for most of the grades lower than Middling were above the Government support price and fluctuated rather sharply within the year.

Comparison of NOC prices with CN-A prices showed that prices paid for cotton sold through the NOC programs ranged from about the same to substantially higher than CN-A prices. The volume of cotton sold through the CN-A program was generally low in the months when the quotations averaged higher than CN-A prices. During these months it appeared that the quotations in many of the markets were influenced considerably by the higher level of prevailing NOC prices. In some markets, quotations averaged about midway between CN-A prices and NOC prices; while in other markets, where CN-A volumes were extremely light, quotations appeared to reflect NOC prices.

Quotations in Dallas, Lubbock, and Fresno averaged lower than prices paid for mixed-lot purchases in these markets in 1959-60. However, in Dallas and Lubbock the differences between quotations and prices paid for mixed-lots were

smaller than the differences between quotations and CN-A prices. This suggests that some of the discrepancy between quotations and CN-A prices in these markets was attributable to the noncomparability of CN-A sales to the type of transaction specified for quotation purposes. In Fresno, the difference between quotations and prices paid for each type of transaction averaged about the same, possibly reflecting the more limited range of qualities produced in this area and consequently minimizing the contrast between mixed and even-running lots.

During the 1959-60 season and to a lesser extent during the 1960-61 season, the quotations in most of the designated markets tended to lag price changes on both the upward and downward movements.

OFFICIAL QUOTATIONS IN TERMS OF AVERAGE DIFFERENTIALS

The quotations are used for many purposes in which the primary interest is in the relative values of differentials among qualities rather than in the absolute spot value for a particular quality. These uses include arbitration of cash sales, settlement of futures contracts, and establishment of premiums and discounts for use by the Commodity Credit Corporation in making loans to farmers and in selling cotton as part of the price support program. For these uses, interest is generally in the average differentials for a number of designated markets on a given day or for a specified period of time.

Part or all of the variation between quotations and spot prices may be caused by "base" differences (i.e., differences between price quoted for Middling 1-inch cotton and price actually paid for this quality). However, since the quotations differed more from prices paid for some qualities of cotton than for others during the 1959-60 and 1960-61 seasons, at least some of the variation was in the differentials. Averaging the differentials for a number of markets and for a period of time also may partially offset or compensate for the variation in individual markets at any given time.

In the following analysis, the relationships between the 14-market average differentials quoted and paid are shown for all time periods combined for the 1959-60 and the 1960-61 seasons. Similar data are presented for individual 10-day periods within each of the two seasons. This information should be helpful in evaluating the quotations for use by the Commodity Credit Corporation of the U.S. Government in developing a schedule of premiums and discounts for its price support and sales programs for cotton.

The relationships between average differentials quoted and paid in the specified Eastern markets and Western markets are shown for the futures delivery months of October and December. This information should be helpful in evaluating the quotations for use in determining tenderable differences for delivery of cotton on futures contract.

Method and Limitations of the Analysis

As a basis for establishing the relationships between quoted and paid differentials, the average quotation and the average price paid for each quality

of cotton in a 10-day period was converted to a premium or a discount from Middling 1-inch cotton in each market. Individual market differentials were then averaged for each 10-day period. Finally, each period was averaged for the month and for the season. 8/

The analyses of differentials and of prices had some limitations. First, the data were restricted to CN-A sales. The lack of comparability of CN-A and NOC sales, discussed previously, made the use of the latter unsuitable. Second, many of the qualities included in the study were not traded in all of the marketing areas in every time period. To partially eliminate irregular variation among qualities caused by incomplete data, qualities traded in less than 3 markets in any time period were excluded from the analysis. Likewise, in averaging the time periods for the season, qualities that were sold in less than 3 time periods were eliminated. Consequently, average differentials are shown for fewer qualities than were included in the study.

Finally, most of the designated markets did not have enough CN-A sales of Middling 1-inch cotton during the 1959-60 and 1960-61 seasons to provide a reliable base from which premiums and discounts for other qualities could be expressed. All markets except Fresno had transactions of Middling 1-inch in a majority of the time periods; however, these transactions were a small part of total sales. During the 1959-60 season, only Little Rock, Dallas, and the Houston-Galveston area had 2 percent or more of their total volume composed of this quality. In 1960-61, Little Rock, Houston-Galveston, and Lubbock were the only areas where Middling 1-inch accounted for 2 percent or more of the total volume of cotton sold in the area.

Since the volume of Middling 1-inch was not adequate for calculating differentials, it was necessary to use another quality for this analysis. Middling 1-1/16 inches was the quality sold in greatest volume during the two seasons; however, this quality was not evenly distributed either geographically or seasonally. Therefore, Strict Low Middling 1-1/16 inches, more evenly distributed, was selected as the most adequate base. Both quoted and paid differentials were calculated from this quality and then shifted to Middling 1-inch. 9/

8/ In averaging the differentials, each market was given equal weight. Similarly, in averaging 10-day periods for the season, each period was given equal weight. Simple averages were used in the analysis of differentials for several reasons. First, this method is used by the Agricultural Marketing Service in averaging the spot quotations, and has long been accepted by the cotton trade. Second, weighting of the differentials for each quality by the volume of cotton of that quality sold resulted in average differentials that were distorted in terms of normal relationships among qualities. Finally, a practical method, employing fixed weights applied to all qualities, was used in calculating average differentials. These weighted average differentials did not differ materially from the simple averages.

9/ The method of calculating differentials from SLM 1-1/16 inches and shifting to Middling 1-inch is outlined in the appendix.

Relationships Between 14-Market Average Differentials
Quoted and Paid for All Time Periods Combined

Differentials quoted in the 14 markets in 1959-60 averaged less (premiums and discounts narrower) than differentials paid for 61 of the 82 qualities analyzed and more than differentials paid for the other 21 qualities (table 10). Differences between quoted and paid differentials were not great. Approximately one-fourth of the qualities were quoted within ± 10 points of the differentials paid; about one-half within ± 25 points; and nearly 90 percent within ± 50 points. The maximum deviation was for Low Middling Spotted 1-inch cotton for which the discount quoted averaged 75 points narrower than the discount paid.

Premiums quoted averaged narrower than premiums paid for 9 qualities by amounts ranging from one point for Strict Low Middling Plus 1-3/32 inches to 70 points for Middling Plus 1-3/32 inches. Premiums quoted were wider than those paid for 6 qualities by amounts ranging from 1 point for Middling Plus 1 inch to 27 points for Strict Low Middling Light Spotted 1-1/16 inches. Discounts quoted averaged narrower than discounts paid for 52 of the 67 qualities discounted.

Relationships between quoted and paid differentials for selected grade and staple length combinations are shown in figure 2 for the 1959-60 season.

Differentials quoted in the 14 markets in 1960-61 averaged wider than differentials paid for 68 of the 98 qualities analyzed, narrower than differentials paid for 26 qualities, and the same as differentials paid for 4 qualities (table 11). Differences between quoted and paid differentials for some of the lower qualities were large, with the greatest being for Low Middling Spotted 15/16 inch. The discount quoted for this quality averaged 227 points wider than the discount paid. About one-third of the qualities studied were quoted within ± 10 points of the differentials paid and more than one-half of the qualities were quoted within ± 25 points of those paid.

Premiums quoted averaged narrower than premiums paid for 15 qualities by amounts ranging from 1 point for Middling 1-1/8 inches to 31 points for Middling 1-3/32 inches. None of the premiums quoted exceeded premiums paid. However, the quoted and paid differential was the same for Middling Plus 1-inch.

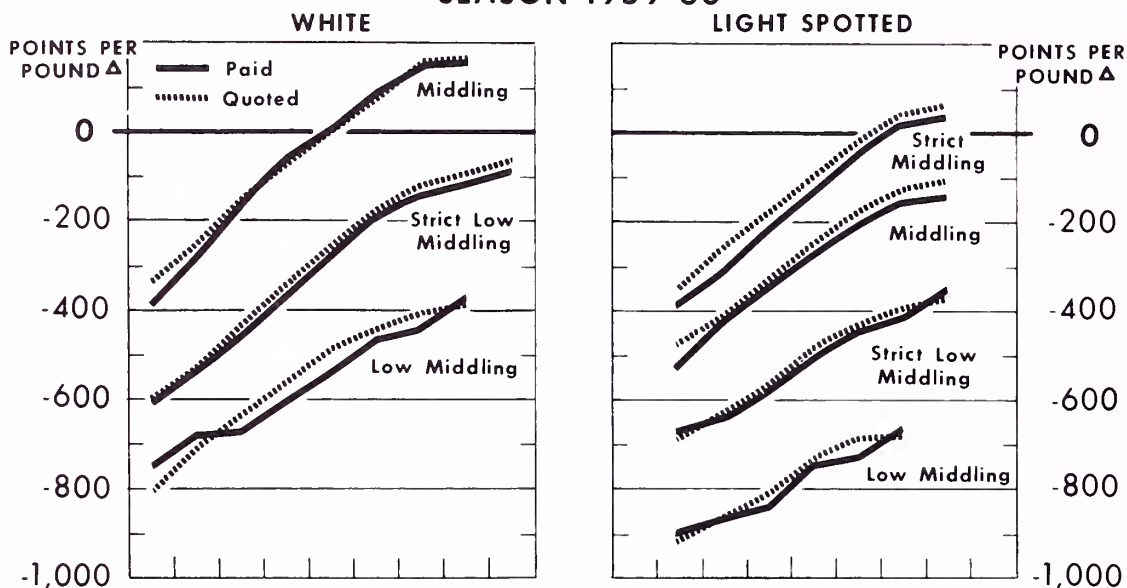
While the tendency in 1960-61 was to underquote premiums, the opposite was true of discounts. Quoted discounts for 68 of the 82 qualities discounted averaged wider than discounts paid by amounts ranging from 2 points for Low Middling 1-1/16 to over 100 points for 11 qualities. Discounts were underquoted for only 11 qualities by the maximum amount of 16 points.

Relationships between quoted and paid differentials for selected grade and staple length combinations are shown in figure 2 for the 1960-61 season.

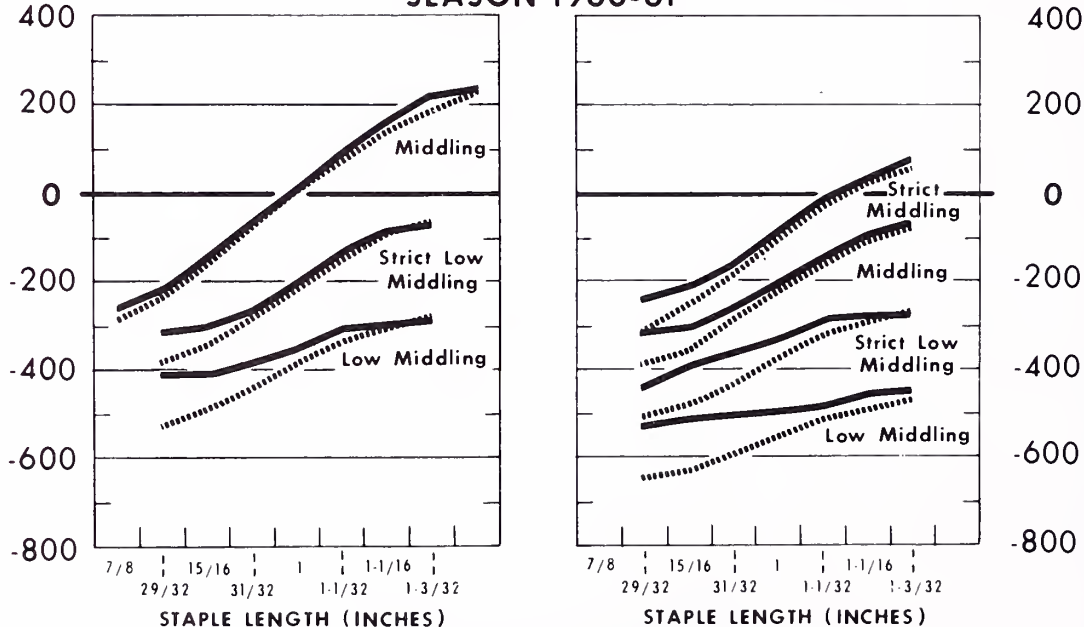
COTTON PRICE DIFFERENTIALS FROM MIDDLING 1-INCH, BY SELECTED GRADE AND STAPLE LENGTH

Average Quoted and Paid, 14 Designated Markets *

SEASON 1959-60



SEASON 1960-61



* AVERAGE BASED ON CN-A SALES DURING SEPTEMBER THROUGH FEBRUARY OF THE 1959-60 SEASON AND AUGUST THROUGH FEBRUARY OF THE 1960-61 SEASON.

Δ ONE POINT EQUALS 1 100 CENT.

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Figure 2

Table 10.--Average quoted and paid differentials between price per pound of Middling 1-inch cotton and prices of other grades and staple lengths, 14 markets combined, season 1959-60 1/

Color and grade	Staple (inches)								
	7/8	29/32	15/16	31/32	1	1-1/32	1-1/16	1-3/32	1-1/8
	Points								
<u>White</u>									
SM:									
Quoted.....	-293	-215	-127	-34	63	142	222	225	<u>2/</u>
Paid.....	-359	-265	-104	-21	78	169	224	262	<u>2/</u>
M+:									
Quoted.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	35	87	178	184	<u>2/</u>
Paid.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	34	121	189	254	<u>2/</u>
M:									
Quoted.....	-340	-255	-160	-73	base	77	156	166	<u>2/</u>
Paid.....	-388	-296	-167	-61	base	83	152	162	<u>2/</u>
SIM+:									
Quoted.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	-144	-65	08	10	<u>2/</u>
Paid.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	-160	-67	0	11	<u>2/</u>
SIM:									
Quoted.....	-601	-536	-438	-344	-261	-181	-122	-100	-64
Paid.....	-604	-537	-461	-369	-284	-191	-140	-125	-93
IM+:									
Quoted.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	-386	-325	-287	-242	<u>2/</u>
Paid.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	-443	-362	-323	-300	<u>2/</u>
IM:									
Quoted.....	-807	-711	-636	-562	-491	-444	-405	-383	<u>2/</u>
Paid.....	-752	-684	-682	-605	-546	-469	-449	-378	<u>2/</u>
<u>Light Spotted</u>									
SM:									
Quoted.....	<u>2/</u>	-352	-268	-196	-100	-15	43	54	<u>2/</u>
Paid.....	<u>2/</u>	-394	-322	-221	-138	-56	16	28	<u>2/</u>
M:									
Quoted.....	<u>2/</u>	-477	-416	-338	-252	-179	-129	-106	<u>2/</u>
Paid.....	<u>2/</u>	-530	-429	-352	-278	-210	-157	-152	<u>2/</u>
SIM:									
Quoted.....	<u>2/</u>	-687	-630	-566	-485	-429	-397	-376	<u>2/</u>
Paid.....	<u>2/</u>	-677	-649	-586	-502	-444	-419	-357	<u>2/</u>
IM:									
Quoted.....	<u>2/</u>	-913	-865	-819	-739	-693	-680	<u>2/</u>	<u>2/</u>
Paid.....	<u>2/</u>	-904	-868	-849	-745	-737	-674	<u>2/</u>	<u>2/</u>
<u>Spotted</u>									
M:									
Quoted.....	<u>2/</u>	<u>2/</u>	-693	-593	-511	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
Paid.....	<u>2/</u>	<u>2/</u>	-700	-588	-480	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
SIM:									
Quoted.....	<u>2/</u>	-936	-875	-792	-766	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
Paid.....	<u>2/</u>	-932	-900	-756	-740	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
IM:									
Quoted.....	<u>2/</u>	-1110	-1103	-1060	-955	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
Paid.....	<u>2/</u>	-1136	-1130	-1104	-1030	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>

1/ Seasonal average based on CN-A sales from September through February.

2/ Excluded from the analysis because of insufficient data.

Table 11.--Average quoted and paid differentials between price per pound of Middling 1-inch cotton and prices of other grades and staple lengths, 14 markets combined, season 1960-61 ^{1/}

Color and grade	Staple (inches)									
grade	7/8	29/32	15/16	31/32	1	1-1/32	1-1/16	1-3/32	1-1/8	
	Points									
White										
SM:										
Quoted.....	-254	-197	-124	-40	52	133	200	245	2/	
Paid.....	-248	-208	-118	-36	69	142	221	273	2/	
M+:										
Quoted.....	2/	2/	2/	2/	13	98	166	211	2/	
Paid.....	2/	2/	2/	2/	13	111	180	235	2/	
M:										
Quoted.....	-290	-235	-161	-78	Base	73	145	182	231	
Paid.....	-256	-231	-156	-70	Base	87	159	213	232	
SLM+:										
Quoted.....	2/	2/	2/	2/	-130	-52	09	45	2/	
Paid.....	2/	2/	2/	2/	-130	-52	15	48	2/	
SLM:										
Quoted.....	2/	-390	-351	-293	-218	-149	-92	-65	2/	
Paid.....	2/	-316	-310	-271	-210	-134	-86	-66	2/	
LM+:										
Quoted.....	2/	2/	2/	2/	-316	-266	-235	-212	2/	
Paid.....	2/	2/	2/	2/	-306	-266	-245	-228	2/	
LM:										
Quoted.....	2/	-527	-497	-445	-382	-338	-304	-282	2/	
Paid.....	2/	-413	-410	-388	-355	-319	-302	-283	2/	
Light Spotted										
SM:										
Quoted.....	2/	-310	-253	-190	-106	-24	25	52	2/	
Paid.....	2/	-245	-216	-172	-96	-19	32	77	2/	
M:										
Quoted.....	2/	-394	-362	-293	-220	-158	-104	-74	2/	
Paid.....	2/	-312	-306	-261	-207	-146	-98	-64	2/	
SIM:										
Quoted.....	2/	-502	-486	-434	-371	-327	-299	-277	2/	
Paid.....	2/	-439	-397	-370	-338	-294	-280	-280	2/	
LM:										
Quoted.....	2/	-645	-630	-596	-554	-510	-493	-471	2/	
Paid.....	2/	-532	-516	-505	-495	-481	-454	-450	2/	
Spotted										
M:										
Quoted.....	2/	-592	-508	-468	-403	2/	2/	2/	2/	
Paid.....	2/	-398	-397	-397	-362	2/	2/	2/	2/	
SLM:										
Quoted.....	2/	-633	-628	-575	-542	2/	2/	2/	2/	
Paid.....	2/	-539	-506	-495	-495	2/	2/	2/	2/	
LM:										
Quoted.....	2/	2/	-867	-776	-741	2/	2/	2/	2/	
Paid.....	2/	2/	-640	-594	-558	2/	2/	2/	2/	
Light Gray										
SM:										
Quoted.....	2/	2/	-326	-260	-189	-123	-66	-33	2/	
Paid.....	2/	2/	-312	-276	-194	-127	-72	-49	2/	
M:										
Quoted.....	2/	2/	-438	-390	-313	-261	-223	-166	2/	
Paid.....	2/	2/	-369	-362	-303	-252	-218	-160	2/	
SIM:										
Quoted.....	2/	2/	-630	-558	-470	-438	-403	2/	2/	
Paid.....	2/	2/	-479	-450	-399	-382	-348	2/	2/	

^{1/} Seasonal average based on CN-A sales from August through February.

^{2/} Excluded from the analysis because of insufficient data.

Relationships Between 14-Market Average Differentials Quoted and Paid
for Individual 10-day Periods Within the Seasons 10/

Changes over time in the relationships between the average differentials quoted and those paid in all markets combined during the 1959-60 season are shown for selected groups of qualities in figure 3. Premiums quoted for Middling and Strict Middling grades of White cotton averaged very near premiums paid throughout the season, deviating from premiums paid by the maximum amount of 42 points in late January and averaging 11 points narrower for the 6 months.

Discounts quoted for Strict Low Middling White and Middling and Strict Middling Light Spotted cotton, except for a relatively short period early in the season, averaged slightly narrower than discounts paid. Seasonal average discounts quoted were 24 and 30 points narrower, respectively, than the discounts paid for Strict Low Middling White and Middling and Strict Middling Light Spotted.

The discounts quoted for Low Middling White and Low Middling and Strict Low Middling Light Spotted cotton deviated substantially from discounts paid for these qualities during the 1959-60 season. Discounts paid for these qualities narrowed markedly from September to mid-December and then widened during the latter part of the year. Discounts quoted were wider than discounts paid when the latter were narrowing and narrower than discounts paid when the latter were widening. In February the discounts quoted for these qualities were over 200 points narrower than those paid; however, for all time periods combined the quoted discounts averaged 43 and 22 points narrower, respectively, than the discounts paid for Low Middling White and Low Middling and Strict Low Middling Light Spotted cotton.

Premiums quoted for Middling and Strict Middling grades of White cotton in 1960-61 were slightly narrower than the premiums paid for those qualities, averaging 19 points for the 6 months (figure 3). The relationships between discounts quoted and discounts paid for the other 4 groups of qualities show seasonal patterns remarkably similar, with discounts quoted averaging wider than discounts paid early in the year and very near those paid from November through February. Seasonal average discounts quoted were from 10 to 15 points wider than discounts paid for the two groups of medium grade White qualities and the high grade Light Spotted qualities. For the Strict Low Middling Light Spotted grades, quoted discounts averaged 52 points wider than those paid for all time periods combined.

Relationships Between Average Differentials Quoted and
Paid for Use in Futures Delivery

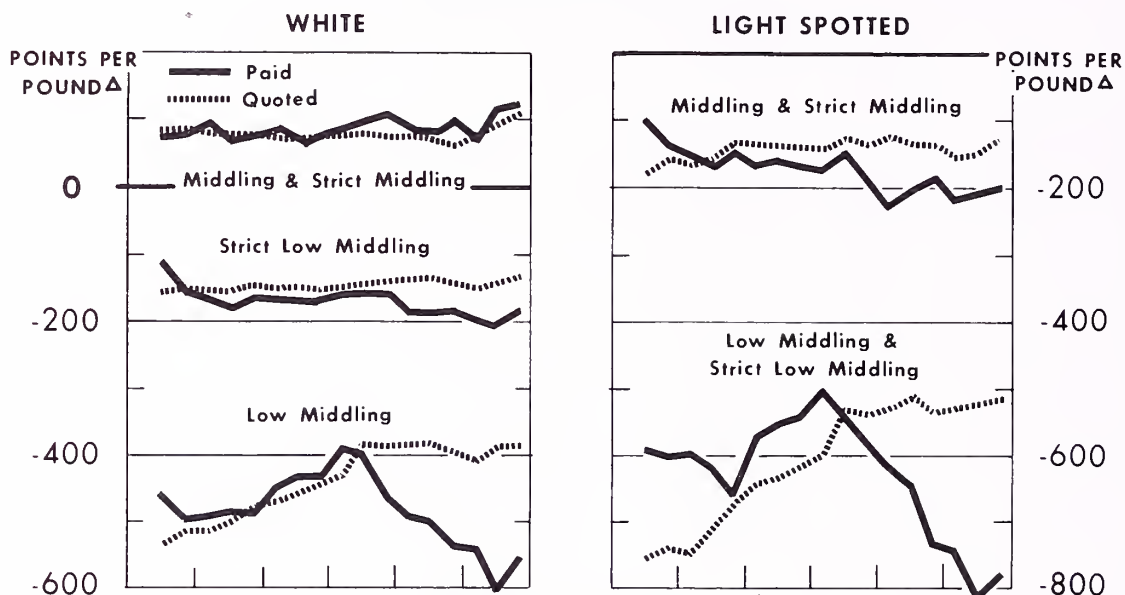
To indicate the general relationships between the differentials quoted and those paid in the markets specified for use in determining tenderable differences for futures delivery of cotton, deliverable qualities that were traded in these

^{10/} This analysis was confined to those qualities that were traded in all time periods during the season. The qualities were grouped to eliminate some of the random variation in individual qualities caused by a scarcity of data.

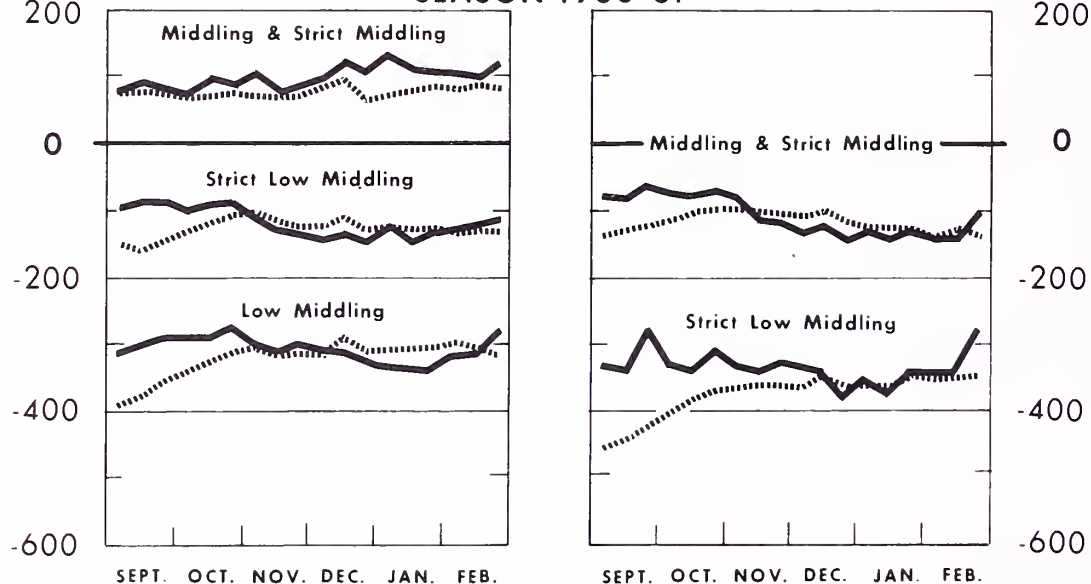
COTTON PRICE DIFFERENTIALS FROM MIDDLING 1-INCH, BY MONTH

Average Quoted and Paid, for Selected Grades of Cotton, 14 Designated Markets *

SEASON 1959-60



SEASON 1960-61



* SELECTED GRADES INCLUDE VARIOUS STAPLE LENGTHS THAT WERE TRADED THROUGHOUT THE SEASON.

▲ ONE POINT EQUALS 1 100 CENT.

Figure 3

markets during the 1959-60 and 1960-61 seasons were selected. The differentials quoted and paid in the Eastern and Western markets were averaged for the delivery months of October and December of each year.

Differentials quoted in the Eastern markets in October 1959 averaged narrower than differentials paid for 5 qualities by amounts ranging from 4 points for Strict Low Middling 1-1/32 inches to 29 points for Strict Low Middling 1-1/16 inches, and wider than differentials paid for 4 qualities by a maximum of 51 points for Low Middling 1-1/16 inches (table 12). In December 1959 differentials quoted in these markets averaged narrower than differentials paid for 3 qualities by a maximum of 13 points for Middling 1-1/32 inches, and wider than differentials paid for 6 qualities by a maximum of 40 points for Low Middling 1-1/16 inches. Similar data for the Western markets show that differentials quoted in October 1959 averaged narrower than differentials paid for 4 qualities and wider than differentials paid for 5 qualities. In December 1959, differentials quoted averaged narrower than those paid for 7 of the 9 qualities. The maximum difference between differentials quoted and those paid in the Western markets in 1959 was 49 points for Low Middling 1-inch in December.

In October 1960, differentials quoted in the Eastern markets averaged wider than those paid for 8 of the 9 qualities by a maximum of 67 points for Strict Low Middling 1-inch. In December 1960, differentials quoted by these markets averaged narrower than differentials paid for 5 qualities by a maximum of 44 points for Middling 1-1/32 inches and wider than differentials paid for 4 qualities by a maximum of 38 points. Differentials quoted in the Western markets in October 1960 also averaged wider than differentials paid for 8 of the 9 qualities. In December 1960, differentials quoted in those markets averaged narrower than differentials paid for each of the 9 qualities. The maximum difference between differentials quoted and those paid in the Western markets in 1960 was 73 points for Strict Low Middling 1-inch in December.

Relationships between differentials quoted and differentials paid showed no consistent pattern of variation. Differentials quoted were narrower about as often as they were wider than those paid. Frequently, differences between differentials quoted and those paid for individual qualities were offset when all qualities were combined.

Table 12.--Differentials between price per pound of Middling 1-inch cotton and prices of other grades and staples: Average quoted, average paid, and difference between quoted and paid, 5 Eastern and 5 Western markets, 1959 and 1960

Year and quality	Eastern markets 1/					Western markets 2/				
	October		December		Points 3/	October		December		
	Quoted : Paid :	Diff. :	Quoted : Paid :	Diff. :		Quoted : Paid :	Diff. :	Quoted : Paid :	Diff. :	
1959										
M 1-1/32.....	78	88	10	78	13	67	77	10	71	94
SIM+ 1-1/16....	15	-03	18	-28	29	21	03	18	18	04
SIM+ 1-1/32....	-48	-71	23	-92	32	-60	-80	20	-55	-76
SIM 1-1/16.....	-108	-137	29	-138	04	-121	-141	20	-112	-135
SIM 1-1/32.....	-173	-177	04	-188	08	-197	-183	14	-170	-186
SIM 1".....	-251	-259	08	-269	07	-275	-285	10	-260	-265
IM 1-1/16.....	-485	-434	51	-397	40	-462	-459	03	-373	-397
IM 1-1/32.....	-528	-466	38	-405	27	-508	-492	16	-407	-406
IM 1".....	-571	-522	49	-449	24	-566	-553	13	-457	-506
All qualities..	-230	-220	10	-210	18	-233	-235	02	-194	-208
1960										
M 1-1/32.....	62	74	12	64	44	66	87	21	70	89
SIM 1-1/16....	-71	-28	43	-98	16	-57	-52	05	-75	-130
SIM 1-1/32....	-127	-77	50	-151	20	-121	-107	14	-131	-184
SIM 1".....	-218	-151	67	-224	22	-198	-175	23	-193	-266
IM+ 1-1/16....	-230	-195	35	-240	19	-211	-195	16	-193	-263
IM+ 1-1/32....	-270	-227	43	-283	03	-250	-226	24	-242	-290
IM 1-1/16....	-298	-266	32	-299	06	-283	-258	25	-268	-300
IM 1-1/32....	-343	-298	45	-346	29	-317	-292	25	-309	-319
IM 1".....	-398	-340	58	-392	38	-364	-340	24	-338	-353
All qualities..	-210	-168	42	-219	05	-193	-173	20	-187	-224
										37

1/ Charleston, Augusta, Atlanta, Montgomery, and Memphis.

2/ Dallas, Houston, Galveston, New Orleans, and Memphis

3/ Minus (-) indicates a discount from Middling 1-inch. One point equals 1/100 cent.

APPENDIX

Table 13.--Grades and staple lengths of cotton for which official quotations are issued 1/

Grades							Staple lengths
<u>White</u>	<u>Lt. Spotted</u>	<u>Spotted</u>	<u>Tinged</u>	<u>Stained</u>	<u>Lt. Gray</u>	<u>Gray</u>	<u>Inches</u>
GM	GM	GM	GM	GM	GM	GM	<u>5/</u> 13/16
SM	<u>3/</u> SM	SM	SM	SM	<u>3/</u> SM	SM	7/8
<u>2/</u> M+	<u>3/</u> M	<u>4/</u> M	<u>4/</u> M	M	<u>3/</u> M	M	29/32
M	<u>3/</u> SIM	<u>4/</u> SIM	<u>4/</u> SIM		<u>3/</u> SIM	SIM	15/16
<u>2/</u> SIM+	<u>3/</u> LM	<u>4/</u> LM	<u>4/</u> LM				31/32
SIM							1
<u>2/</u> LM+							1-1/32
LM							1-1/16
SGO+							1-3/32
SGO							<u>6/</u> 1-1/8
GO+							<u>6/</u> 1-5/32
GO							<u>7/</u> 1-3/16
							<u>7/</u> 1-7/16
							<u>7/</u> 1-1/4

1/ Grades and staple lengths enclosed in dark lines were included in the study.

2/ Staple lengths 1 inch through 1-1/8 inches included in the study.

3/ Staple lengths 29/32 inch through 1-1/8 inches included in the study.

4/ Staple lengths 7/8 inch through 1 inch included in the study.

5/ Quotations issued only by the 4 Texas markets.

6/ Quotations issued only by Memphis, Greenwood, and Fresno.

7/ Quotations issued only by Memphis.

Method Used in Calculating Differentials

Both "paid" and "quoted" differentials were calculated in the same manner. The basic data used in calculating the "paid" differentials were 10-day averages of prices paid for each quality of cotton traded in each of the 14 designated markets. Similarly, the basic data used in calculating the "quoted" differentials were 10-day averages of the matching quotations for each quality traded in each of the markets.

Selecting the base.--Since the purpose of converting prices to differentials was to eliminate variation in price level among the markets and during the season, and thus make it possible to combine the markets and time periods; a base quality that would reflect accurately the price level had to be selected. Middling 1-inch, the base quality used for the quotations, was not adequate for this purpose; therefore, Strict Low Middling 1-1/16 inches was selected. This quality was traded, at least moderately, in all markets during most of each season. In the few time periods when SLM 1-1/16 inches was not traded in all markets, the price was estimated from prices in other time periods and in other markets.

Calculating the differentials from SLM 1-1/16 inches.--Differentials from SLM 1-1/16 inches were calculated for each quality traded, by 10-day period within a market. An example of the calculation is shown for selected qualities in the period November 20-30, 1959 (appendix table 14). A similar procedure was followed for each time period during the season. The price of SLM 1-1/16 inches in each market was subtracted from the price of each of the other qualities. Prices higher than the price of SLM 1-1/16 inches are recorded as premiums, and prices lower than the price of SLM 1-1/16 inches are recorded as discounts. After the differentials were calculated for each market, the next step was to combine the 14 markets. Simple averages were used in combining the markets.

Shifting the base to Middling 1-inch.--After the 14-market average differentials from SLM 1-1/16 inches were calculated, the next step was to shift the base to Middling 1-inch. The method of shifting the base is shown for selected qualities in the period November 20-30, 1959 (appendix table 15). The base was shifted by subtracting the premium of Middling 1-inch from the premium or discount of each of the other qualities.

Since the average premium of Middling 1-inch was a correction factor to be applied to differentials from SLM 1-1/16 inches for all qualities, it was desirable to have each of the 14 markets represented in the average. Therefore, when Middling 1-inch was not traded in a market during a 10-day period, an estimate of the differential between this quality and SLM 1-1/16 inches was made on the basis of the differential between the two qualities in time periods when both qualities were traded. This procedure was used because the variation in differentials was much less from one time period to another within a market than among markets within a time period.

Table 14.--Average price per pound for specified qualities of cotton, and differentials from price of Strict Low Middling 1-1/16, 14 markets, November 20-30, 1959

Designated market	Average price of--				Differentials from SLM 1-1/16 inches 1/			
	SLM 1-1/32 : SLM 1-1/16 : SLM+ 1-1/16 : M 1-inch : SLM 1-1/32 : SLM+ 1-1/32 : M 1-inch	inches :	inches :	inches :	Points	Points	Points	Points
	Cents	Cents	Cents	Cents	Cents	Points	Points	Points
Greenville.....	29.89	31.05	32.11	32.28	-116	106	123	123
Charleston.....	29.98	30.94	32.80	2/	-96	186	3/ 129	3/ 129
Augusta.....	30.70	31.69	32.70	32.71	-99	101	102	102
Atlanta.....	30.68	31.32	32.71	32.63	-64	139	131	131
Montgomery.....	30.68	30.96	32.38	32.61	-28	142	165	165
New Orleans.....	30.18	30.84	32.52	31.92	-66	168	108	108
Little Rock.....	30.83	31.35	32.68	32.63	-52	133	128	128
Memphis.....	31.18	31.77	32.39	32.80	-59	62	103	103
Greenwood.....	31.11	31.62	32.32	2/	-51	70	3/ 113	3/ 113
Dallas.....	30.92	31.74	32.47	32.53	-82	73	79	79
Houston.....	30.50	30.25	32.25	32.52	25	200	227	227
Galveston.....	30.50	30.25	32.25	32 52	25	200	227	227
Lubbock.....	30.81	32.19	32.74	2/	-138	55	134	134
Fresno.....	33.65	34.20	34.57	2/	-55	37	3/ -07	3/ -07
14-market average..	--	--	--	--	-61	119	126	126

1/ Minus indicates a discount from Strict Low Middling 1-1/16 inches. One point equals 1/100 cent.
2/ Middling 1-inch not traded.
3/ Estimated on basis of differentials in time periods when both qualities were traded.

Table 15.--Average differentials between prices of Strict Low Middling 1-1/16 inches and Middling 1-inch, and prices of 2 other qualities, November 20-30, 1959

Quality	Differentials from	Differentials
	Strict Low Middling 1-1/16 inches 1/	from Middling 1-inch 1/
	<u>Points</u>	<u>Points</u>
SIM 1-1/32 inches.....:	-61	-187
SLM 1-1/16 inches.....:	base	-126
SLM+ 1-1/16 inches.:	119	-07
M 1-inch.....:	126	base

1/ Minus indicates a discount from the base. One point equals 1/100 cent.

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